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The Marches Strategic Economic Plan Evidence Refresh Report

A Final Report by Regeneris Consulting

The Marches Strategic Economic Plan Evidence Refresh Report

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1. Introduction

Purpose of the Report

1.1 The Marches Local Enterprise Partnership (LEP) is updating its evidence base to inform the Marches Strategic Economic Plan (SEP). The Evidence Base Refresh aims to:

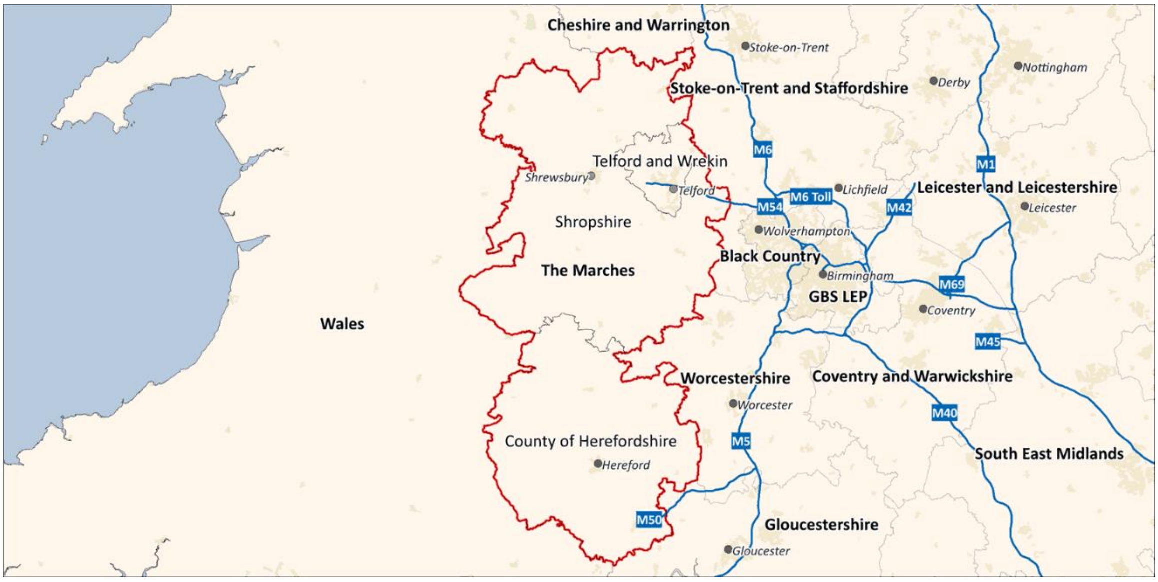
- **Provide a robust and updated evidence base** – bringing all the evidence into one document providing the underpinning evidence and the case for intervention to inform strategic decision-making and funding bids.
- **Respond to trends and drivers** – ensuring that the evidence base is responsive to the prevailing policy context and changes to the funding environment.
- **Validate the continuing relevance of the existing SEP** – identify the extent to which the existing SEP continues to be relevant and where any opportunities or gaps exist which need to be addressed.
- **Informing the next round of projects** – the evidence base update will identify potential issues and opportunities which can be used to inform the next round of projects. This will ensure that the Marches LEP is responsive to emerging funding opportunities.

1.2 The Evidence Base will provide a clear rationale for intervention and enable a stronger business case for essential intervention in supporting local economic growth across the Marches.

Introducing the Study Area

1.3 The Marches is one of the largest geographical LEP's in the country, covering 2,300 square miles and encompassing a diversity of landscapes in a mix of rural and urban settings. The Marches is home to 666,700 residents. The three urban centres of Hereford, Shrewsbury and Telford provide a focus for economic growth, complemented by a number of traditional market towns.

Figure 1.1 The Marches in Context



Source: Regeneris Consulting

1.4 The size of the LEP area presents geographical challenges to effective service delivery and is characterised by inequalities in access to key services between rural and urban areas of the sub-region. The economic potential of the Marches is also hampered by inadequacies in the infrastructure connecting residents to places of employment, and connecting businesses to markets.

Summary of Approach

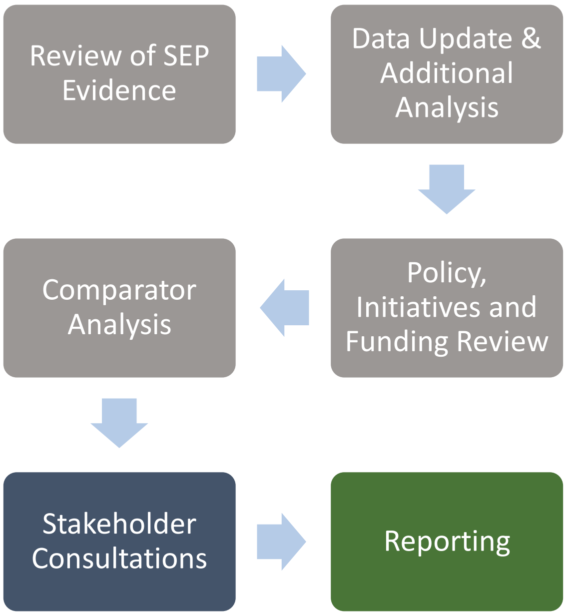
1.5 There has been a number of phases to the research:

1) Review of existing SEP evidence followed by a period of data analysis to update and enhance the evidence base

2) Policy, initiatives and funding review to ensure the evidence base is responsive to the prevailing policy environment

3) Analysis of comparator LEPs including Cumbria, New Anglia, Cornwall and the Isles of Scilly, Greater Lincolnshire and Heart of the South West. The Strategic Economic Plans and Skills Plans for each of these LEPs were examined in turn against criteria such as strategic positioning, innovative use of data and presentation of results, research, and good practice and lessons learnt. Considerations for the Marches SEP were drawn out

Figure 1.2 Summary of Approach



Source: Regeneris Consulting

4) Stakeholder consultations including three area-based group meetings with relevant officers and stakeholders from each of the local authorities, a workshop with skills providers and stakeholders, a presentation and consultation event with each of the three area Business Boards in addition to a web based survey of employers to obtain their views. A number of one-to-one consultations were also carried out.

5) Reporting outputs including the Evidence Base Refresh Report and a Skills Action Plan.

Structure of the Report

1.6 The remainder of the report is as follows:

- **Section 2** establishes an appreciation of the policy context
- **Section 3** provides a synthesis of the key messages from the analysis to identify the principal economic challenges which the Marches SEP needs to respond to
- **Section 4** explores the theme area of ‘Supporting Business’ to identify change over time and future prospects. The defining characteristics of the key sectors of the Marches economy are identified.

- **Section 5** considers the adequacy of physical infrastructure in the Marches to support economic growth, including housing, employment sites, transport and virtual connectivity.
- **Section 6** identifies the position of the Marches with regards to labour force and skills
- **Section 7** provides a broad set of conclusions.

2. Policy and Funding Review

This section of the report summarises the changing policy environment and the implications for the Marches sub-region to ensure the evidence aligns with policy priorities and funding opportunities. Important points include:

- The importance of productivity to economic growth is a central theme in current national policy and highlights the need to deliver a framework for investment encouraging the development of economic capital (including infrastructure, skills and knowledge).
- The Midlands Engine for Growth represents an economic collaboration by 11 LEP areas across the Midlands to drive the productivity of the economy through private sector growth and productivity improvements with a particular focus on key sectors. The Marches LEP has a role to play in this collaboration, and has existing sector strengths in key sectors such as manufacturing and agri-food and aspirations to grow sectors such as environmental technologies, digital and creative and professional services. There are five theme areas where collaboration is anticipated including promotion, transport, innovation, finance and skills.
- The three local authority areas each have their own housing and employment land targets, and have identified their strategy for growth. The Marches LEP work in partnership with each of the authorities in support of common goals. The Marches SEP needs to identify areas where partners can work together to deliver a shared vision.
- The ESIF funding 2014-2020 provides a significant resource to help deliver the Marches vision. Clarification over the replacement of ESIF is required given the intention to exit the EU.
- In anticipation of an announcement on Local Growth Fund Wave 3 in the Autumn Statement 2016 the Marches needs to ensure the SEP evidence and strategy is up-to-date and has a portfolio of projects ready to go.

Policy Context

National

2.1 The recent publication of HM Treasury's *'Fixing the Foundations: Creating a More Prosperous Nation'* (July 2015) highlights the importance of productivity to economic growth, and provides a framework for investment around two pillars:

- **Encouraging long-term investment** in economic capital, including infrastructure, skills and knowledge
- **Promoting a dynamic economy** that encourages innovation and helps resources flow to their most productive use.

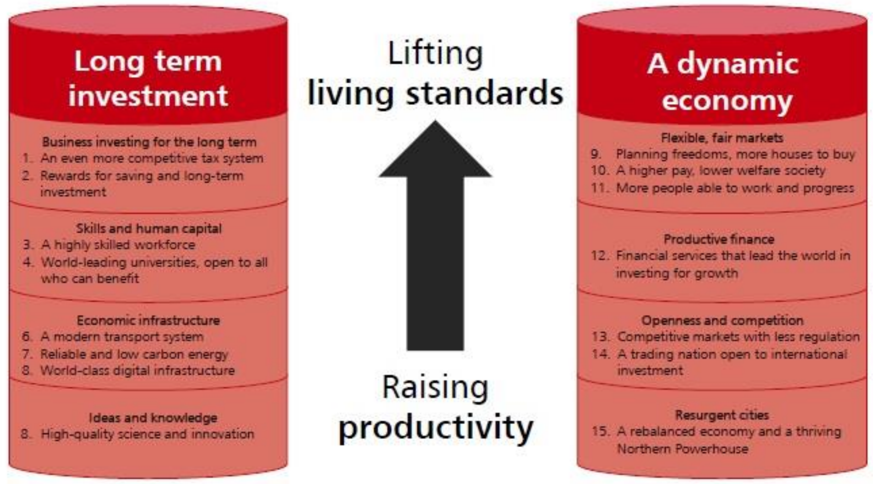


Chart iii: A framework for raising productivity

Source: HM Treasury

2.2 The framework sets out a 15-point plan of action, which includes, amongst others:

- **A highly skilled workforce, with employers in the driving seat.** This action seeks to target 'coasting schools' for improvement and improve teaching quality; respond to businesses' calls to improve work-ready skills through reforms to increase the rigour of GCSEs and A levels; introducing a new compulsory apprenticeship levy requiring large employers to invest; and radically simplify and streamline further education qualifications. This includes inviting local areas to participate in the reshaping and commissioning of local provision, and creating a network of Institutes of Technology.

- **World-leading universities, open to all who can benefit.** This includes removing the student numbers cap; replacing maintenance grants with loans; introducing a new Teaching Excellence Framework; allow institutions offering high teaching quality to increase tuition fees with inflation; and open the higher education market to more new entrants.

- **A modern transport system, with a secure future.** A lack of investment in transport infrastructure over recent decades is undermining the competitiveness of business, with weaknesses identified in roads, rail and airport capacity. A new roads fund will be created by 2020-21 and a Roads Investment Strategy will be produced.

- **World-class digital infrastructure in every part of the UK.** Digital infrastructure is improving but there are still too many businesses hampered by slow connections. This action aims to ensure that superfast broadband is available to 95% of UK households and businesses by 2017; support the market to deliver new universal 4G and ultrafast broadband coverage; and make it easier for the market to roll out the fixed and mobile infrastructure the UK needs.

- **High quality science and innovation.** New ideas need to spread and be used as widely as possible. This action incudes investment in research infrastructure, a focus on those areas with greatest potential, develop opportunities for commercialising technology, and supporting universities to collaborate with industry and commercialise research.

- **Resurgent cities, a rebalanced economy and a thriving Northern Powerhouse.** The government is also taking steps to enable the Midlands Engine for Growth to reach its full potential. Amongst other things the Government will ensure that rural areas can also contribute to, and benefit from, productivity growth.

Regional

2.3 '*The Midlands Engine for Growth'* prospectus sets out a partnership approach for stakeholders to work more closely together to achieve greater regional economic growth and productivity improvement. The Prospectus responds to Government ambitions to grow the Midlands economy by £34bn by 2030, if it matched the predicted growth rate for the UK. A further 300,000 jobs could be created in the Midlands by the end of this parliament.

2.4 Productivity in the Midlands Engine region is around 10% below the UK average. The Prospectus acknowledges that there is much to do to grow the economy and productivity of the region to ensure that it meets its full potential as a driver of national success. Key challenges include skill levels, the proportion of knowledge intensive business, the level of investment made by SMEs in innovation and under-investment in aspects of connectivity. The Midlands Engine focuses on driving the productivity of existing key sectors through business investment, research and development, innovation, skills and connectivity improvements. High growth potential sectors will be nurtured through Growth Hubs and in partnership with universities and colleges.

2.5 Private sector growth and productivity improvement will drive the Midlands Engine. Sectors of focus include manufacturing, engineering and transport technologies; agri-food and drink manufacturing and production; healthcare, life sciences and translational medicine; energy and low carbon technologies; and creative, digital and design. Excellence in underpinning sectors such as professional and financial services as well as enterprise are also sought.

2.6 There are five theme areas where Midlands Engine stakeholders have agreed to collaborate formally to achieve common aims:

- **Promotion:** promoting the region's strengths, assets and opportunities widely to key target domestic and overseas audiences with a focus on sectors that provide the greatest opportunities for inward investment alongside a consumer-focused campaign for the visitor economy.
- **Midlands Connect:** the connectivity of the region is central to success and a credible long term investment strategy will be developed and identify investment strategies to improve road and rail networks.
- **Innovation:** drive up business innovation, improving business productivity and competitiveness.
- **Finance for business:** supporting SMEs to grow, increase employment and diversify the business base.
- **Skills:** ensuring that the employer base links closely with skill providers and skills provision is tailored to employer demand.

2.7 The devolution of powers and funding from national government presents an opportunity for the Marches to influence local provision. Whilst the Marches LEP is not part of the West Midlands Combined Authority, Telford & Wrekin is involved as a non-constituent authority and Shropshire Council is classified as an 'Observer organisation awaiting Membership'[1].

[1] www.westmidlandscombinedauthority.org.uk

The West Midlands Combined Authority Devolution Agreement was announced in November 2015 and provides a way forward for the devolution of funding, powers and responsibilities to the region. The WMCA includes seven metropolitan councils as its constituent members. The three LEP areas of Greater Birmingham and Solihull, Black Country and Coventry and Warwickshire have joined the WMCA as non-constituent members. There are also five non-constituent authorities (which can sign up to more than one combined authority and have fewer voting rights than constituent members) which includes Telford & Wrekin Council.

The WMCA will include powers such as control of a new £36.5m a year additional funding allocation over 30 years to be invested to drive growth, devolved 19+ adult skills funding from 2018/19, joint responsibility to co-design employment support for the hardest-to-help claimants, and responsibility to work with the government to develop and implement a devolved approach to the delivery of business support programmes from 2017 and deliver more integrated working together on investment and trade.

Amongst other things, the Government supports the ambition of the HS2 Growth Strategy and the emerging West Midlands Strategic Transport Plan. It will work with the Shadow Board through the development of the second Roads Investment Strategy to explore options for reducing congestion on the strategic road network in the West Midlands.

2.8 A recent report on 'Devolution to Non-Metropolitan England: Seven steps to growth and prosperity' highlighted that housing, transport, skills, broadband and public services are the building blocks of a local economy and advocates that local authorities are best placed to judge the needs of their local economies and that it makes sense to devolve responsibility for these policies to grassroots level.

2.9 To the north of the Marches the '*Northern Powerhouse*' is gathering momentum. The vision for the North is one which has a vibrant and growing economy, acts as a magnet for inward investment, and capitalises on the strengths of the Northern cities.

2.10 Given the Marches proximity to Wales it is also useful to consider the relevance of economic development priorities over the border. The **Wales Infrastructure Investment Plan for Growth and Jobs** (2012) highlights the importance of infrastructure investment in providing a stimulus to the economy and creating the conditions for increased and sustainable growth in the medium and longer term. There are a number of priority sectors which include advanced materials and manufacturing, construction, creative industries, energy and environment, financial and professional, food and farming, ICT, life sciences and tourism.

2.11 A number of high level investment priorities are identified including improving transport links, improving telecommunication networks, supporting the development of the energy industry, investing in housing, delivering more efficient and economical public services, improving the quality of the educational estate, and developing enterprise zones.

Sub-Regional

2.12 The Local Growth White Paper '*Realising every place's potential*' set the scene for the development of Local Enterprise Partnerships to drive private sector-led growth and job creation in their area through an integrated approach to growth and infrastructure delivery. The current **Strategic Economic Plan** (SEP) for the Marches was published in March 2014 and was established in the context of this changed policy landscape.

'A strong, diverse and enterprising Marches business base, operating in an exceptional and connected environment, where the transfer of technology and skills foster innovation, investment and economic growth'.

2.13 The SEP sets out priorities for addressing areas of business need. Five Strategic Priorities are identified:

- Supporting Business
- Physical Infrastructure
- Skills Investment
- Low Carbon Economy
- Social Inclusion

2.14 The Marches aspires to deliver 70,000 new homes and 40,000 additional jobs by 2031. Hereford, Shrewsbury and Telford are designated Growth Points complemented by a range of Opportunity Towns.

2.15 The SEP summarises the current issues and opportunities as follows.

Areas of Market Failure	**Areas of Strength**
• A lack of critical mass to drive economic activity • Lack of identity and appeal to investors • Limited university offer or graduate jobs leading to a loss of the younger highly skilled generation • Low levels of R&D and commercialisation • Poor virtual and physical connectivity	• Diverse economy across the business sectors • Higher than average employment rate and self-employment rate • Central geographic location and proximity to the motorway and rail network • Sector strength including food and drink; agri-tech; advanced manufacturing; defence and securities; tourism and leisure; environmental technologies and services; and social enterprises
Barriers to Growth	**Areas of Opportunity**
• Stalled housing and employment sites • Limited transport connectivity with poor accessibility to employment centres including issues around traffic congestion, pinch points and missing links, poor public transport in rural areas and ageing infrastructure • Broadband connectivity • Skills gap	• Large amount of 'ready-to-go' land • Designated Growth Point towns in Hereford, Shrewsbury and Telford • Strategic Enterprise Areas including the Enterprise Zone in Hereford • Strong and ambitious business base • Attractive investment area

2.16 In response, the SEP identifies six areas for intervention:

1) Speed up delivery on 'ready to go' land
2) Speed up housing completions
3) Invest in infrastructure
4) Support SMEs and encourage the entrepreneurial business environment
5) Retain major employers and attract further investment
6) Create a skills framework to deliver the best people for employment

2.17 LEPs have an increasing influence over skills budgets in their local area. The current **Marches Skills Plan** sets out four skills priorities for intervention:

1) Developing the skills required for business growth

2) Supporting enterprise and access to employment

3) Realising the potential of young people

4) Higher Education

2.18 In addition, the Marches Apprenticeship Plan establishes a vision for apprenticeships:

"High quality Apprenticeships which support business growth and give young people and adults the skills they need to succeed at work"

2.19 The Marches has been allocated £80m of EU funding to invest between 2014 and 2020. The Marches ESIF Strategy 2014-2020 identifies five Strategic Activities that align with priorities set out in the EU 2014-2020 Framework on the European Growth Programme and help to deliver the Marches vision:

1) Enhancing Competitiveness, Research and Innovation and Enabling Technology

2) Supporting the Shift Towards a Low Carbon Economy

3) Supporting the Environment

4) Skills and Employment

5) Social Inclusion

2.20 The following table illustrates the links between the current SEP Strategic Priorities and the ESIF Strategy Areas.

Marches SEP Strategic Priorities	Marches LEP ESIF Activity	Marches LEP ESIF Strategic Activities
Supporting Businesses	- Strengthening business sectors. - Flexible business support products. - Site and sector based Inward Investment. - Centres of Excellence. - Smart Specialisation Strategy proposals. - Digital inclusion. - Supporting the visitor economy. - Increased Research and Development.	- Enhancing Competitiveness, Research and Innovation and Enabling Technology - Supporting the Environment
Physical Infrastructure	- Investing in the natural environment to support sustainable economic growth. - Protecting the natural and historic assets. - Supporting greening activities.	- Supporting the Environment
Skills Enhancement	- Developing the skills required for business growth. - Supporting enterprise and access to employment. - Realising the potential of young people. - Developing a shared responsibility for skills through effective partnerships. - Developing the Higher Education (HE) offer.	- Employment and Skills
Low Carbon Economy	- Sustainable and balanced growth. - Supporting low carbon and renewable energy supply chains. - Providing opportunities for the development of energy efficiency, waste reduction and renewable energies in communities.	- Supporting the Shift Towards a Low Carbon Economy

	- Increasing the use of renewable energy, decreasing energy use and promoting smart energy systems.	
Social Inclusion	- Learning and routes to employment. - Concentrating upon early intervention and hard to reach groups.	- Social Inclusion

Source: Marches ESIF Strategy 2014 p.8

2.21 Clarity over the future of these funds is required given the intention to exit the EU.

Local

Herefordshire

2.22 Herefordshire Council has a new Local Plan (March 2016) to guide development in the county over the next 20 years. The Local Plan is made up of a number of documents including the Core Strategy which sets the overall strategic planning framework for the County up to 2031. The adopted Core Strategy is set provide a minimum of 16,500 new homes and 148 ha of employment land between 2011 and 2031.

2.23 The Economic Development Strategy for Herefordshire 2011-16 is an important part of the evidence base for the Local Plan. The vision for the strategy is to '*increase the economic wealth of the county through the growth of business'* (p.4). This will be achieved through:

- Sustaining business survival and growth
- Increasing wage levels, range and quality of jobs
- Having a skilled population to meet future work needs
- Developing the county's built infrastructure so enterprise can flourish

2.24 A number of principles reflecting the values of economic growth include confidence and identity, distinctiveness, reducing poverty, environment and community. Ten projects are identified as the key infrastructure and development initiatives that will be completed or make significant progress over the next five years. These include the Hereford Enterprise Zone:

Hereford Enterprise Zone

Skylon Park in Rotherwas covers 72 ha and provides incentives such as rate reductions for new businesses that occupy the site before 31st March 2018 and a streamlined planning process, alongside attributes such as superfast broadband connectivity and investor support. The Park aspires to attract around 110 new businesses to the park, leading to around 4,200 new jobs by 2022. Approximately 134,000 sqm of new work space will be delivered.

Bespoke inward investment research has been produced to inform the potential to attract and develop specific sectors to the Enterprise Zone. These include advanced manufacturing, defence and securities, and food and drink. This intelligence has been used to target specific markets and companies who may be attracted to the area.

To date, 45% of the land available in the park has been built upon or sold.

Source: www.skylonpark.co.uk; Herefordshire Council

2.25 Other projects include broadband, employment land, Hereford Relief Road, Hereford City Centre, Construction Skills Academy, employment and skills programmes, apprenticeship campaign, HE centre, and brand identity.

2.26 Looking forward Herefordshire is developing an Economic Masterplan focused on facilitating the conditions for growth to deliver a higher value economy in partnership with key stakeholders.

Shropshire

2.27 Shropshire's Core Strategy sets a target for the county to deliver 27,500 new homes and to develop 290 ha of land for employment uses between 2006 and 2026.

2.28 The Shropshire Economic Growth Strategy was produced in 2012 and establishes a vision and priorities for partners to work towards over the life of the plan to 2026, aligned with Shropshire's Core Strategy. The vision is one where '*Shropshire's economy is sustainable and businesses are competitive and resilient'* (p.8). There are four areas of focus to deliver the vision:

1) Accelerating business growth
2) Infrastructure for growth
3) Opportunity sectors
4) Skilled and loyal workforce

2.29 Three priority objectives underpin the Shropshire economy: business growth, skills development and new infrastructure investment and these need to be pursued vigorously to achieve greater economic resilience and growth.

Telford & Wrekin

2.30 Telford and Wrekin Council has updated its Local Plan, which is currently undergoing public consultation. The Plan sets a target for 26,500 new dwellings to be delivered up to 2031 and also identifies that 76 ha of employment land will be required between 2011 and 2031.

2.31 *'Enterprise Telford – Driving Growth and Prosperity'* provides a draft strategy for growth and prosperity developed by Telford & Wrekin Council and the Telford Business Board. The shared vision includes aspirations to:

- Promote Telford's role as a major contributor to the West Midlands economy
- Focus on those things that will do most to unlock jobs and create growth that will improve the lives of all the people who live in the Borough
- Make Telford a natural home for investors, innovators and entrepreneurs

2.32 Three areas will help to deliver the vision:

1) Business – ensuring a business friendly environment including the critical issues that underpin business growth such as clear and effective business support, access to finance, the local regulatory environment and inward investment
2) People – the workforce within our Borough and how the skills of the workforce are aligned to business needs and opportunities now and in the future
3) Place – the sense of place and infrastructure that underpins growth including transport connectivity, broadband access, employment areas, housing and employment land, environment, cultural assets and quality of life

2.33 Six key actions are identified:

1) Create business friendly conditions to increase the number of successful businesses

2) Grow sectors around opportunities and support sectors that underpin employment across the Borough

3) Stimulate and support innovation across all business sectors

4) Improve the skills and talent pool of the Borough to make it business relevant

5) Transform physical and digital connectivity

6) Optimise all the assets of the Borough to make it a first-class place to live and work

Funding Review

2.34 The Marches LEP has access to a number of funding opportunities to implement the Strategic Economic Plan.

Local Growth Deal

2.35 Central Government funding provides resources to LEPs for projects that benefit the local area and economy. The Marches Growth Deal supports growth in the three urban centres of Hereford, Shrewsbury and Telford. There are two key priority areas:

1) Enabling and accelerating new housing and employment sites

2) Growing the local skills and business base

2.36 The Marches LEP secured an initial Growth Deal of £75.3m from the Government's Local Growth Fund in July 2015. This deal included skills capital projects to improve facilities at several training centres in the area.

2.37 An expansion of the deal in January 2015 provided an additional £7.7m for additional broadband enablement.

2.38 The LEP estimates up to 7,000 jobs could be created, 3,000 homes built and up to £50m of private investment generated as a result of this funding.

2.39 Looking forward, the Local Enterprise Partnerships are refreshing their Strategic Economic Plans and their project pipeline in preparation for a further wave of Growth Deal funding announced in the March 2016 Budget.

European Funding

2.40 The European Structural & Investment Fund (ESIF) is designed to increase social and economic prosperity across Europe and reduce disparity between regions, creating a more competitive, prosperous and inclusive Union.

> The EU Referendum was held on the 23rd June 2016 and the intention for the UK to withdraw from the European Union was announced. The exact process for the UK's withdrawal is uncertain, but it is generally expected to take two years. Clarity is required over the replacement of ESIF and this sub-section will need to be updated in due course.

2.41 The Marches LEP is responsible for the ESIF investment strategy in the area. A new Operational Programme for 2014-2020 is now in place with an allocation of approximately £80m[2]. The ESIF Strategy (2014) sets out priority areas for where this funding should be directed. These include:

1) Enhancing Competitiveness, Research and Innovation and Enabling Technology
2) Supporting the Shift Towards a Low Carbon Economy
3) Supporting the Environment
4) Skills and Employment
5) Social Inclusion

Devolution

2.42 The Government's Productivity Plan, published in July 2015, outlines plan for inviting local areas to become more involved in the reshaping and recommissioning of local provision. The Government's policy direction on devolution has an emphasis on housing, infrastructure, productivity and skills. The devolution of funds would give Marches LEP greater control over how public funds are spent. It is important to align the Marches SEP with devolution 'asks' if the Marches is to pursue this agenda.

Other Resources

2.43 There are a range of other additional sources of funding to support the implementation of the SEP. These include:

- The Marches Investment Fund, a £8.1m fund made possible by an award from the Growing Places Funds
- The new Highways England Growth and Housing Fund (GHF) is a £100million fund (2016-2021) to be invested in road improvements schemes that are specifically needed to unlock housing and mixed use sites.
- Local authority capital programmes
- Local authority revenue support
- Local Transport Plan budget
- Local Transport Majors Fund
- BIS programmes including SFA funding including the introduction of the new Apprenticeship Levy in April 2017 and the two-year annual allocation of £205k for Growth Hubs (2016/17 – 2017/18)
- HCA funding
- Public sector investments i.e. HEFCE
- Careers & Enterprise Company Funds

2.44 No doubt over time other opportunities will emerge too.

[2] The sterling value may change dependent on exchange rate fluctuations.

3. Economic Health & Resilience

This section of the report provides a synthesis of the key messages from the Evidence Base report to identify the health and resilience of the Marches economy. This analysis reveals two significant issues:

- A growing GVA gap which is driven by below average skills and low representation in the sectors which make the most significant contribution to the economy in terms of Gross Value Added
- A demographic challenge to maintain the working age population which means the Marches is expected to struggle to meet projected demand for labour in the future.

The Marches needs to attract higher skilled individuals and higher level occupations to drive economic restructuring. These individuals are relatively mobile and competition for them from neighbouring areas is strong. The Marches does not have the number of people in these skill sets to cope with churn and peaks in demand without displacing activity from other businesses. How to attract and retain these individuals to improve the resilience of the economy is a key challenge for the Marches to address.

3.1 Figure 3.1 sets the context for this chapter by providing a traffic light system of progress against the current SEP indicators. The table considers how The Marches ranks across each of the indicators compared to the 39 LEPs, and changes in rank since 2011 (the year on which the current SEP data is based on). Based on this, the following the traffic light system is applied in the following way:

- **Red** indicates a worsened position compared to other LEPs since 2011, including slower growth rates or ranking in the bottom third (27th or lower).
- **Amber** indicates rank performance in the middle third (14th – 26th), taking into account growth rates compared to other LEPs and the overall change.
- **Green** indicates rank performance in the top third of all LEPs (13th and up).

Table 3.1 Update of SEP Indicators

	Indicator	Change since 2011		LEP Rank		Rank of growth rate*
		Absolute	% change	2015	2011	
Population	666,700	9,200	1%	30th	30th	29th
Anticipated population growth (12 - 37)	63,000 (9%)	-	-	-	-	-
Number of businesses	29,800	2,095	+9%	30th	28th	37th
GVA	£12.3bn	£0.7bn	+6%	35th	35th	21st
Proportion of micro businesses	89%	-	-1 pp	7th	4th	-
Number of jobs	267,000	12,300	+5%	34th	34th	18th
Business enterprise rate (per 1k popln)	45	1	+2%	15th	3rd	-
Business survival rate (at least 2 yrs)	78%	-	-2 pp	2nd	-	-
Self-employment rate	17%	-	+0.8 pp	8th	4th	-
Employment rate	77%	-	+4 pp	15th	18th	-
GCSE attainment	54-58%	-	-	-	-	-
% with degree level qualifications	35%	-	-	-	-	-
Skill shortages: SSVs /HTF vacancies	23%	-	-	-	-	-

* Note: the rank of growth rate is provided for indicators where it illustrates the message, and has an implication for the indicator.

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3.2 A number of messages emerge from the analysis:

- The Marches is a rural area with relatively small is sparsely populated, compared to other LEPs, and it has a low population growth rate, ranked 29th slowest among the LEPs. It is expected that the population will increase by 63,000 (2012-2037) representing 9% population growth. Considering the population changes that have already taken place between 2012 and 2014, the LEP would need to grow by 2,500 residents per annum on average to reach the 63,000 increase by 2037.
- The Marches economy is growing overall, with increased business numbers, jobs and GVA, but it is growing slower than the rest of the LEPs across several indicators. This is particularly evident in the growth in the number of businesses since 2011: while the change is positive overall, other LEPs are growing at a faster pace. This has had knock-on effects on the number of enterprises per 1,000 population, which slipped from 3rd highest to 15th.
- Nevertheless, The Marches is showing strong entrepreneurial performance. Business survival rates are second highest among the LEPs. A start-up rate of 1.5 per 1,000 population ranks 8th among all LEPs (not part of the indicators in the SEP) as well a high self-employment rate (also 8th).

3.3 The following analysis highlights the challenges which underpin this headline performance.

Marches Central Challenge 1: Demographics

A growing, but unevenly distributed, population

3.4 According to the latest ONS mid-year population estimates (2014), there were 666,700 people living within the Marches LEP in 2014. The most populated of the three local authorities within the LEP area is Shropshire, which had a population of 310,100 in 2014 (47% of LEP population). The population in Herefordshire and Telford and The Wrekin was 187,200 (28%) and 169,400 (25%) respectively.

3.5 Population density across the Marches is 118 people per sq km relative to 440 across the West Midlands and 417 across England as a whole. The urban nature of Telford and Wrekin is also masked in these figures.

Table 3.2 Population Density

	Population (2014)	Area (sq km)	People per sq km
Herefordshire	187,160	2,180	86
Shropshire	310,121	3,197	97
Telford and Wrekin	169,440	290	584
Marches LEP	666,721	5,667	118
West Midlands	5,713,284	12,998	440
England	54,316,618	130,297	417

Source: ONS Mid-Year Population Estimates 2014 and ONS UK Population Density

3.6 This low density presents a number of economic challenges including:

- Each business in a sparsely populated area has a smaller workforce to draw labour from
- Demand for locally delivered health and social care services (and new infrastructure) could be so low that they are extremely costly (if not unviable).

3.7 The Marches' population has grown by 8% (50,000) since 2001 which is in line with regional trends but lags behind the rise across England (10%). The majority of this increase occurred in Shropshire, where the population increased by 26,900 (9%). The growth across Herefordshire and Telford and Wrekin was more modest, rising by 12,300 and 10,900 respectively (7% in both cases).

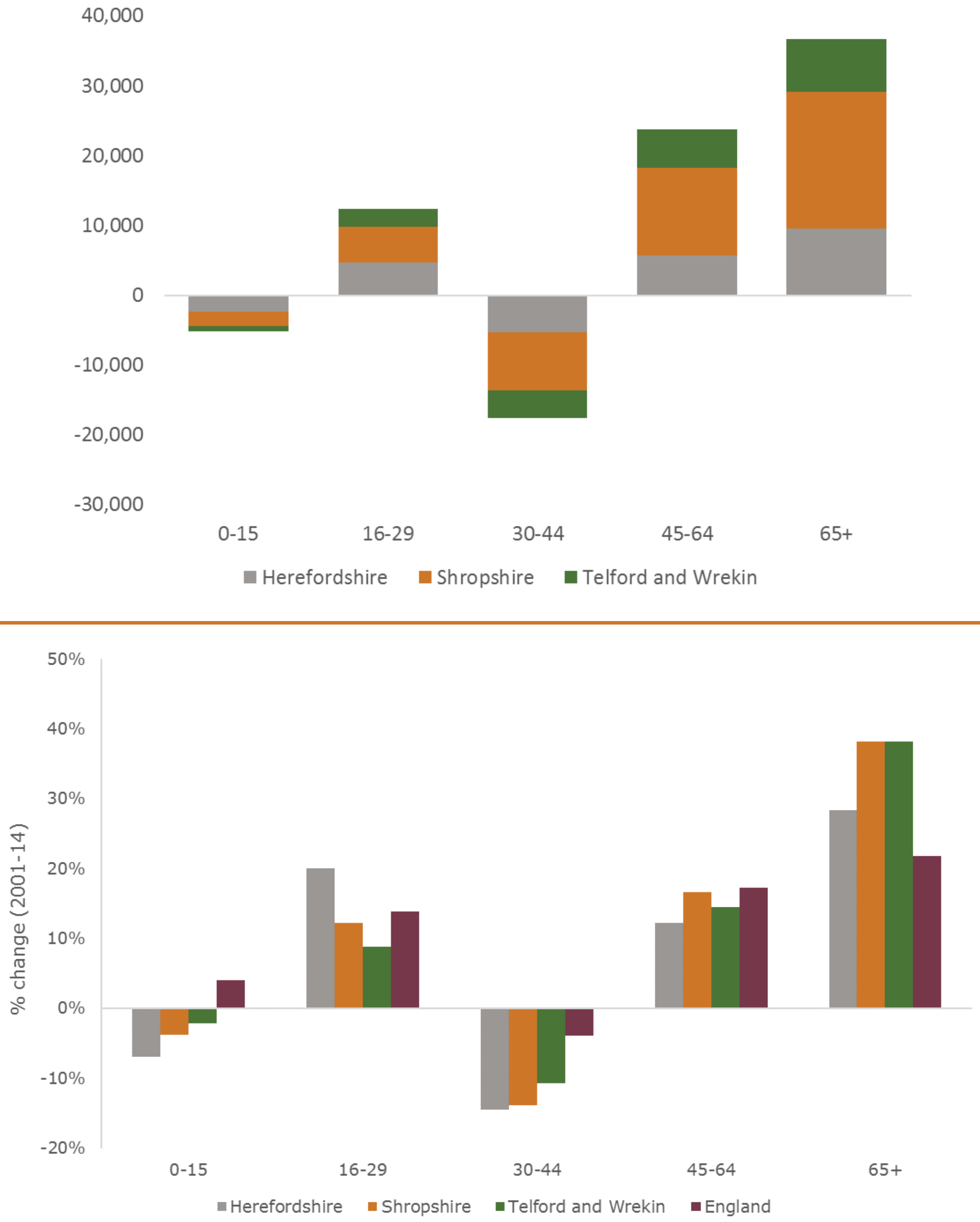
3.8 Further growth (62,600 people or, +9%) is forecast between 2012 and 2037 according to ONS Sub-National Population Projections. Expected growth in the Marches is however lower than nationally which is forecast to see a 16% rise.

An increasingly dependent population and shrinking pool of working age people

3.9 There have been significant shifts in the age composition of the population in the Marches. The proportion of children (0-15 years) and those residents of working age (30-44 year olds) has fallen while there has been a significant increase in the proportion of residents aged 65+. Between 2001 and 2014, the retired population across the Marches increased by 36,600. This was driven by increases in Shropshire, where the number of over 65s rose by 19,600, or 38%. Simultaneously, the number of 30-44 year-olds decreased by 17,600, mostly fuelled by decreases of 8,300 (-14%) and 5,300 (-14%) in Shropshire and Herefordshire respectively.

3.10 The proportion of the population that is not of working age (0-15 and 65+) stands at 39% in 2014, up from 37% in 2001. This trend has meant the size of the working age population has shrunk.

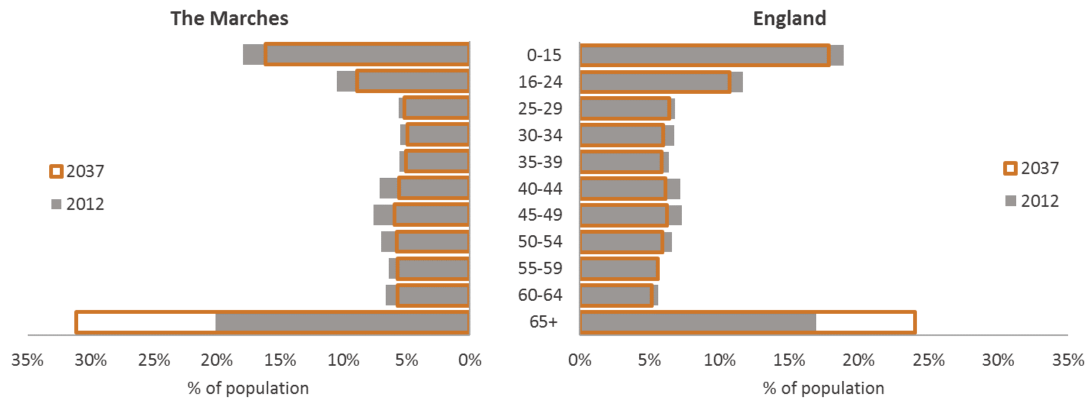
Figure 3.1 Population Changes in Local Authorities in the Marches LEP, 2001-14



Source: ONS Mid-Year Population Estimates 2001-14.

3.11 In 2014, 21% of the LEP's population were aged above the current state pension age (65) compared with 18% across both the West Midlands and England. Herefordshire and Shropshire have a more elderly age profile. A larger retired population places greater pressures upon local healthcare and social services and can also limit the supply of labour to support local businesses, if not offset by growth in other age brackets.

Figure 3.2 Current and Future Population Characteristics



Source: ONS Sub-National Population Projections

3.12 Large increases are anticipated in the number of retired people. Between 2012 and 2037, the number of over 65s will increase by 92,300, or 70%. Over the same time period, the working age population will decrease by 7%. This will increase the total dependency ratio (the ratio of retired people and 0-15 year-olds to the working age population) from 0.61 in 2012 to 0.76 in 2037.

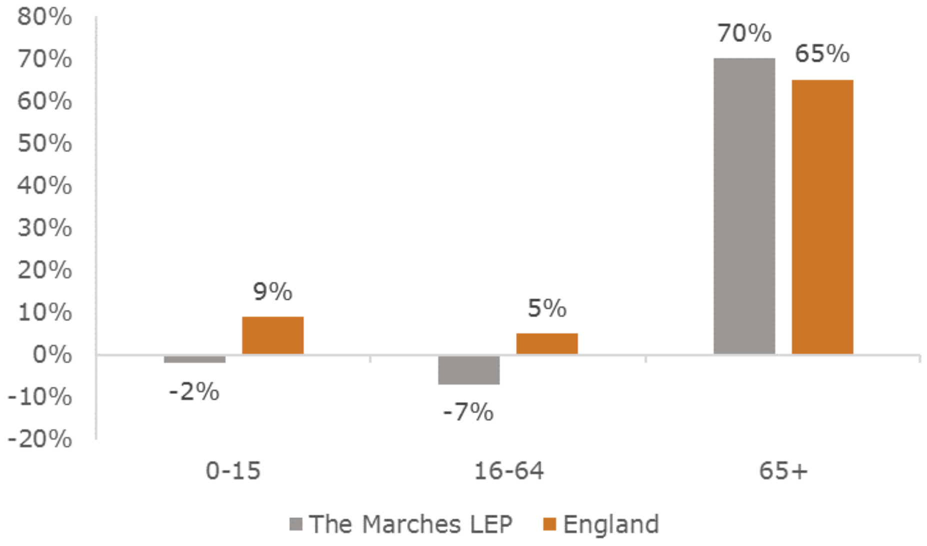
3.13 The current working age population is based on 16-64 year-olds, reflecting the current state pension age of 65. In 2020, the state pension age will rise from 65 to 66, and increase again from 66 to 67 between 2026 and 2028. In subsequent years, the state pension will be reviewed every five years and will be linked to life expectancy. The latest population projections run from 2012 to 2037. We cannot make a prediction about further changes to the state pension age and have assumed that 16-67 year-olds will constitute the working age population in 2037.

3.14 These pension changes see the forecast working age population across the Marches rise marginally between 2012 and 2037 but still lags behind expected growth across England. At the same time, the retired population (number of over 65s in 2012 and the number of over 68s by 2037) will rise by 45%, ahead of the growth expected nationally (42%).

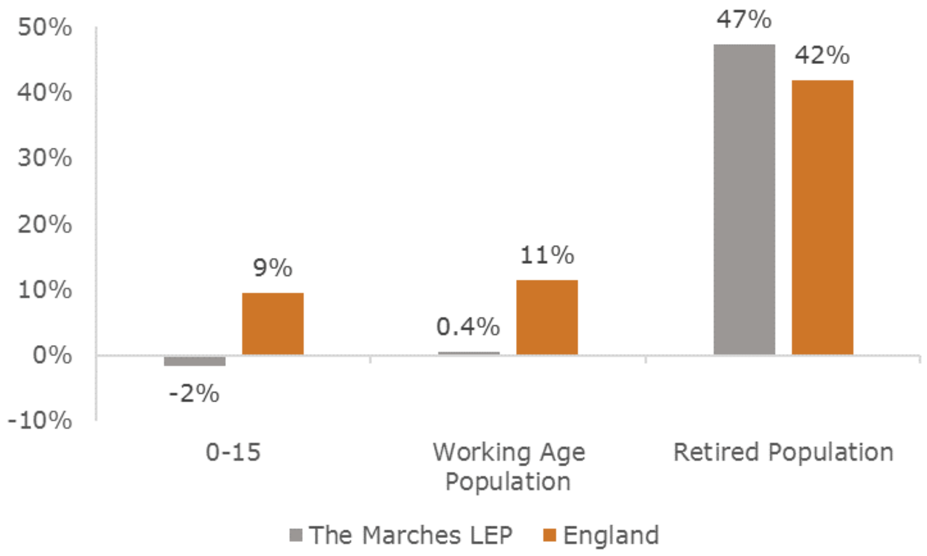
3.15 Modest growth in the number of working age residents poses a sizeable threat to the economic performance of the Marches. Employment forecasts from the Working Futures data shows that demand for workers will rise between 2012 and 2022. Unless the population is able to grow to satisfy this increased demand, vacancies will increase and businesses' growth will be suppressed.

3.16 England as a whole will also experience a substantial rise in its 65+ population, although the shift will not be as dramatic (at 65%, compared to the 70% predicted for the Marches). Businesses in the rest of the country will be partially cushioned from this shift by an expected 5% rise in working age population, while those in the Marches will need to cope with a 7% fall. The rest of the country faces a challenge to find enough people of working age to sustain its economy and the Marches even bigger challenge will be compounded by the competition from the rest of country to attract and retain working age people.

Figure 3.3 Projected Population Changes across The Marches LEP and England, 2012-37



Taking Account of Expected Changes to Retirement Ages



Source: ONS sub-national population projections. Working age population in 2012 is 16-64 year-olds; in 2037 this is assumed to be 16-67 year-olds. The retired population is assumed to be over 65s and over 68s in 2012 and 2037 respectively.

3.17 Older households tend to have lower levels of household expenditure. According to an ONS report entitled 'Family Spending' (2013), households with a head aged 30-49 had more than twice the weekly expenditure than those where the head was over the age of 75[3]. The ageing trend in the Marches will put downward pressure on spending in the local economy.

[3] Office for National Statistics (2013), Family Spending 2013 Edition.

3.18 These expected demographic changes are likely to have profound consequences for the labour market in the Marches. The latest Working Futures data for the sub-region shows that between 2012 and 2022, there will be total of 139,000 job openings across all industries.

3.19 This is largely fuelled by replacement demand, which is the number of job openings generated by workers leaving the workforce. Between 2012 and 2022, 122,000 jobs will need be replaced. Of these, we have estimated that around 42,000 workers (34% of replacement demand) will be required to replace retiring members of the workforce. Similarly, we anticipate that approximately 11,400 residents in the 16-54 age group will leave the Marches to work elsewhere. Although these workers may return at a later stage, replacement workers will be required to fill these gaps over the medium to long-term. The remaining replacement demand is hard to pinpoint, but may be driven labour market churn, which may not require any additional workers. Examples include people leaving the workforce to take on care responsibilities, experience long-term illness, and or changes to patterns of part-time working (which affect the number of openings).

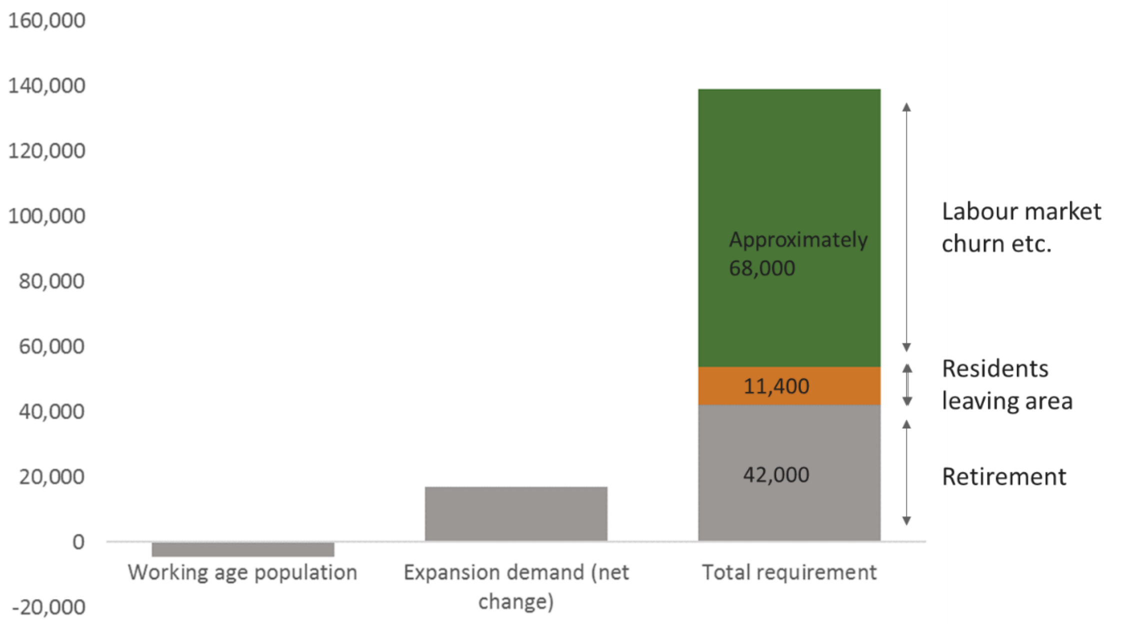
3.20 The sub-national population projections show that, between 2012 and 2022, the working age population will gradually fall each year, and will decrease by approximately 4,700 (-2%) over the ten-year period. This suggests that, at a headline level, the supply of labour across the Marches will not meet this increased demand for labour.

3.21 The potential implications of this are:

- demand for a large number of job openings is unmet. This could harm business performance and investment, especially if employers are unable to replace substantial numbers of their workforce
- patterns of in-commuting and pressure on the transport system might grow
- and/or, dramatically different patterns of in-migration occur from outside the area and UK.

3.22 The supply-demand mismatch is likely to most pronounced in the higher level occupational groups which the Marches already struggles to attract and which the area is competing against other areas for this relatively mobile labour force.

Figure 3.4 Expected Employment Changes and Working Age Population, 2012-22



Source: ONS sub-national population projections and UKCES Working Futures data

Marches Central Challenge 2: The Productivity Gap

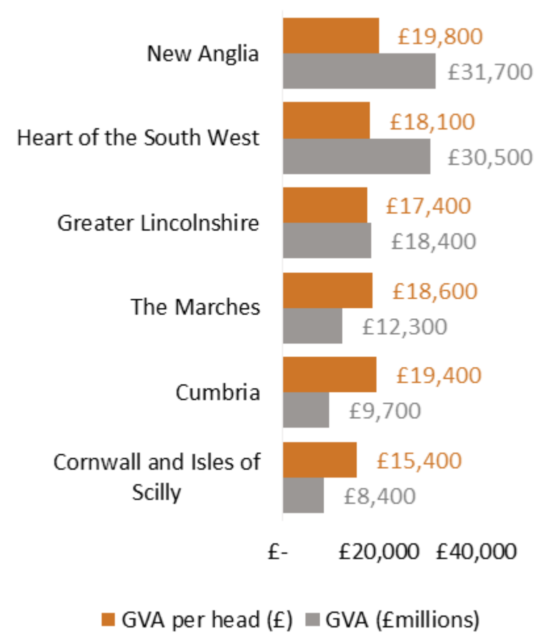
3.23 In 2013, the Marches LEP generated over £12.3bn of economic value. This represents just under 1% of England's GVA, and 11% of West Midlands'. The Marches is underperforming compared to other LEPs in terms of GVA, and ranks 35th out of 39 in absolute terms. GVA per head (which takes the size of the LEP area into account) is £18,600, which takes the ranking up to 27th.

3.24 The Marches is clearly underperforming in GVA per resident and is similar to that in five comparator LEPs areas: New Anglia, Heart of South West, Greater Lincolnshire, Cumbria, and Cornwall and the Isles of Scilly.

3.25 While the Marches' economy has grown by 6% since 2011, its growth rate has been slower than most LEPs. In that time, the overall productivity gap between England and the Marches has worsened:

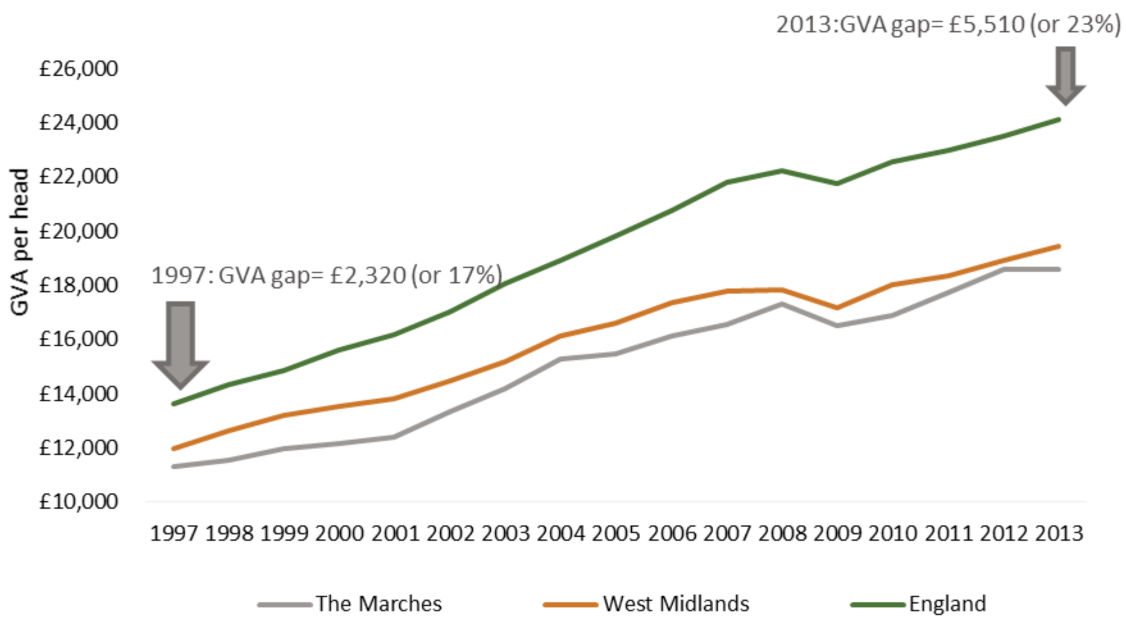
- The GVA per head gap with England has widened from 17% in 1997, to 23% in 2013.
- More recently, growth in productivity (GVA per head) has been volatile: while there have been signs of Marches catching up between 2010 and 2012, the latest year shows the productivity growth rate is much lower than the England average (0.1% compared to 3% nationally and regionally).

Figure 3.5 GVA Indicators across Comparators



Source: ONS GVA 2013

Figure 3.6 Trends in GVA per Head, 1997-2013



Source: ONS Regional GVA 1997-2013

3.26 Differences in productivity can be explained by a number of factors including skills, enterprise, innovation, investment and competition.

3.27 GVA in the Marches is driven by high numbers of businesses operating in low value sectors including retail and hospitality, and public sector activities (education, health, public admin and defence). These sectors account for 42% of the total GVA in the LEP, and almost 60% of employment. The five sectors with lowest GVA per job (based on the West Midlands) account for 46% of the GVA in the LEP.

3.28 Although manufacturing makes a sizeable contribution to the LEP's economy (16% of GVA), exceeding the national average, other high productivity sectors are under-represented in the Marches: professional services, finance, and information and communication all have a lower share of employment in the LEP compared to England. It is therefore unsurprising that the GVA per hour worked is 10% lower in the Marches than the average across all LEPs, ranking it at 29th.

3.29 The GVA composition shows that the productivity challenge in the Marches is structural, and tackling it involves long-term re-ordering of the business base. The concentration of employment in low value sectors, makes it difficult to drive economic growth through attracting more workers. Addressing the productivity gap will require the Marches to secure higher value/productivity economic activity.

3.30 Demographic and labour market factors have a role to play in contributing to the productivity gap, namely the size of the working age population (61% in the Marches in 2014 relative to 63% in England) and the proportion of workers with higher level skills (35% of workers employed in the Marches LEP area held Level 4 qualifications or above compared to 42% across England in 2014).

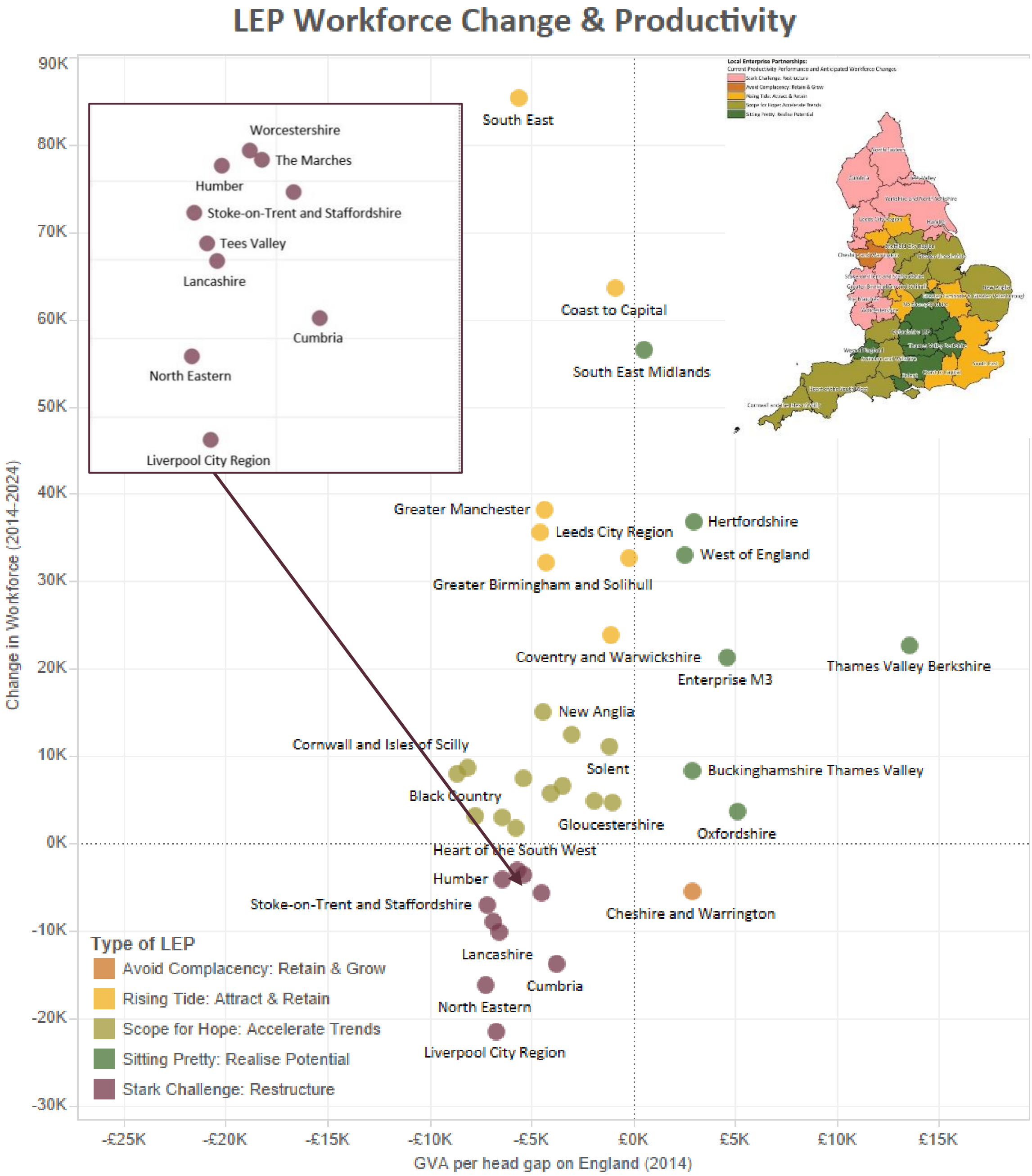
3.31 On a more positive note the Marches has an above average economic activity rate (81% in the Marches compared to 78% in England in 2015) and a high employment rate (77% vs 74%). However, these two factors are not significant enough to offset the productivity challenge. **Put simply, lots of people are working, but not in activities which generate enough economic output to address the Marches' GVA gap with the rest of the country.**

'Stark Challenge'

3.32 Bringing the two 'Central Challenges' of demographics and productivity together reveals a 'stark challenge' for Marches LEP. Figure 1.1 shows the comparative positioning of Marches LEP, with regards to anticipated population growth versus productivity per head (GVA), at 2014 levels. This further highlights the case for intervention, categorising the Marches LEP as follows:

Stark Challenge: Restructure – where LEPs are showing a negative productivity gap with England, and a projected fall in workforce between 2014 and 2024. There is a need to drive productivity through a focus on factors such as people, enterprise, innovation, sectors and skills. Marches LEP may need to explore ways in which it can accelerate the expected growth in the labour supply above the estimated trends e.g. attracting young people and families into the area, bringing inactive labour back into productive use, increasing the productivity of those in work etc. The implications of Brexit on in-migration is a further consideration.

Figure 3.7 LEP Workforce Change and Productivity

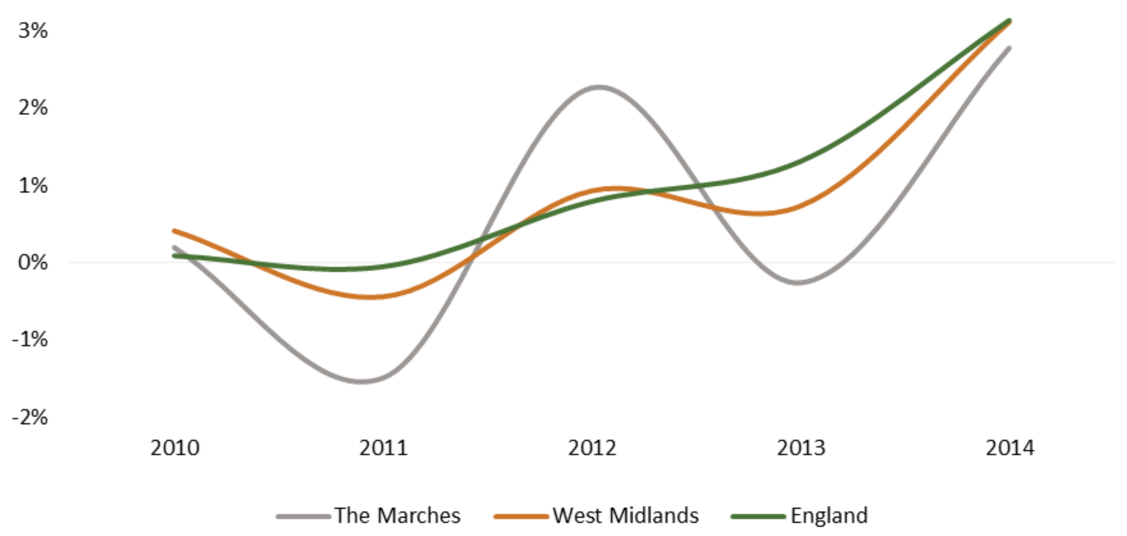


Source: Regeneris Consulting

Resilience to Change

3.33 The Marches economy has weathered change and experienced pronounced peaks and troughs in employment change over time.

Table 3.3 Change in Employment, 2009 - 2014



Source: BRES 2009-14

3.34 There are a number of factors which underpin the resilience of the Marches economy to change.

Strength and diversity of the business base

3.35 The Marches business base may be growing, but the rate of growth is not keeping pace with other LEPs. The Marches is home to 29,800 businesses, which equates to 45 for every 1,000 residents. Although the number of enterprises per 1,000 people has increased slightly from 44 to 45, the Marches slipped in the rankings of LEPs on this indicator from joint third to 15th in the past four years. The number of businesses has grown by 9% since 2011 (or 2,095 enterprises), but the Marches' is ranked 37th out of the 39 LEPs when growth rates are compared across LEPs.

3.36 Small Medium Enterprises (SMEs) drive economic growth through making a significant contribution to job creation, driving competition and stimulating innovation. Small businesses in particular can show great resilience in the face of challenging economic conditions. The Marches is largely characterised by micro businesses (89%) and although their numbers have grown since the last SEP (1,955 since 2011, or 8%), they now make-up a slightly smaller proportion of the overall business base (89% in 2015 compared to 90% in 2011). In that time there has been a much larger growth in the proportion of small and medium-sized enterprises, growing by 20% and 27% respectively.

3.37 The private sector has driven local economic growth. Over the last five years, the number of private sector jobs has grown in the Marches (16,200, or +8%). This has offset a considerable drop in public sector employment (over 7,200 jobs, or -13%). In 2009 public sector jobs made up 21% of the total. This share has now decreased to 18%, ranking the Marches 16th among LEPs for reliance on public sector jobs.

3.38 The Marches has key sector strengths that differentiate the sub-region from other areas and which are driving employment and productivity growth; these include advanced manufacturing, agri-food and technology, and defence and securities. However, these sectors are experiencing significant structural change which means that they are forecast to shrink in employment through to 2022 as illustrated in Section 4.

3.39 The Marches also relies on a number of enabling sectors that generate significant employment opportunities and deliver important services for resident and business such as health and social care, financial and professional services, digital and creative and construction. Although the Marches does not have any distinct strengths in these sectors, they are important employers in absolute terms and are also predicted to grow.

Strong enterprise performance but a need to drive innovation

3.40 High levels of new company formation and survival are illustrative of an entrepreneurial culture. With 1.5 start-ups for every 1,000 residents, the Marches has the eighth highest start-up rate amongst the LEPs and new businesses are showing strong survival rates. With 78% surviving two years or more, the Marches is the second highest ranked LEP in the country on this measure.

3.41 The sectoral breakdown of start-ups is available at the level of the UK. To supplement this, we can use data on changes in micro businesses in the Marches and their sectors as a proxy to get a feel for the types of start-ups that are emerging inside the LEP. The emerging messages include:

- Nationally, the most prominent start-up sectors are professional and business services, retail, food and drink serving activities, construction and computer programming
- In the Marches, almost half of additional businesses (based on annual change) are in the professional business services sector. Similar to the national picture, the main sectors for start-ups are construction, retail, food and drink serving activities as well as computer programming. A distinction in the Marches is the appearance of agricultural micro businesses that do not feature at a national level.

3.42 The UK Innovation Survey (UKIS) conducted every two years provides insight into the levels of innovation among businesses. The Enterprise Research Centre (ERC) summarises the findings at LEP level for the latest 2013 UKIS. The performance is measured on various aspects, including product, service and process innovation, as well as the more intensive new to market innovation and R&D. The strategic elements and marketing are becoming increasingly more important in providing firms with a competitive advantage. The main findings for Marches are as follows:

- best performance was in collaboration for innovation, where 20% of firms indicated they collaborate (ranking the Marches 18th)
- other innovation elements appear weaker in relation to other LEPs:
  - 15% of businesses engage in products and service innovation (38th)
  - 8% engage in process innovation (39th)
  - 23% engage in strategic and marketing innovation (37th)
  - 14% engage in R&D (35th).

3.43 There are other aspects of innovation that can be stimulated, and potentially channel businesses into innovation intensive sectors. Currently the levels of business R&D expenditure among businesses is relatively poor, with expenditure per FTE employee equivalent to £202 – this is less than a quarter of the national average.[4] Nevertheless, the sector strengths in the Marches are evident across innovation indicators:

- investment in sustainable agri-food protection technologies per FTE is more than triple the national average, and ranks 4th among all LEPs

[4] ONS Business Enterprise Research and Development 2013

- sustainability technologies generally also perform well, with investment per FTE ranked 13th. [5]

A lack of highly skilled workers

3.44 The latest Annual Population Survey (December 2014) reveals that the Marches has a smaller proportion of workers holding higher level qualifications (level 4 qualifications i.e. degree or above) than the national average. In December 2014, 35% of workers employed in the Marches held a degree or equivalent compared with 41% of employees nationally. In addition, the proportion of workers employed in the Marches that hold no qualifications (5.2%) is higher than the corresponding rate for England (4.9%).

3.45 Although the Marches has good numbers of people with intermediate level skills (level 3 qualifications), the low number of workers with higher level qualifications could harm business performance. Neighbouring LEPs have more highly skilled workforces. For example, 39% and 44% of workers employed in the Worcestershire and Gloucestershire LEPs respectively hold higher level qualifications.

Lower levels of resilience manifest itself in a number of ways…

3.46 There appears to be pockets of high youth unemployment across the Marches, particularly in Telford. According to Department for Education data for 2014, 7.3% of 16-18 year-olds in Telford and Wrekin were classified as NEETs. In Herefordshire and Shropshire, fewer young people are sat in the NEET category; 5.7% and 4.1% of 16-18 year-olds were classified as NEETs in the two districts.

3.47 With the exception of Shropshire, the proportion of NEETs across the Marches is higher than comparator LEPs. Across Cumbria, 4.3% of young people were classified as NEETs, and in Gloucestershire and Worcestershire, 4.5% and 3.8% of 16-18 year-olds were not in education, employment or training.

Table 3.4 NEET Data by Local Authority, 2014

	Proportion of 16-18 year-olds classified as NEET
Herefordshire	5.7%
Shropshire	4.1%
Telford and Wrekin	7.3%
West Midlands	5.4%
Cumbria	4.3%
Gloucestershire	4.5%
Suffolk County	5.6%
Worcestershire	3.8%

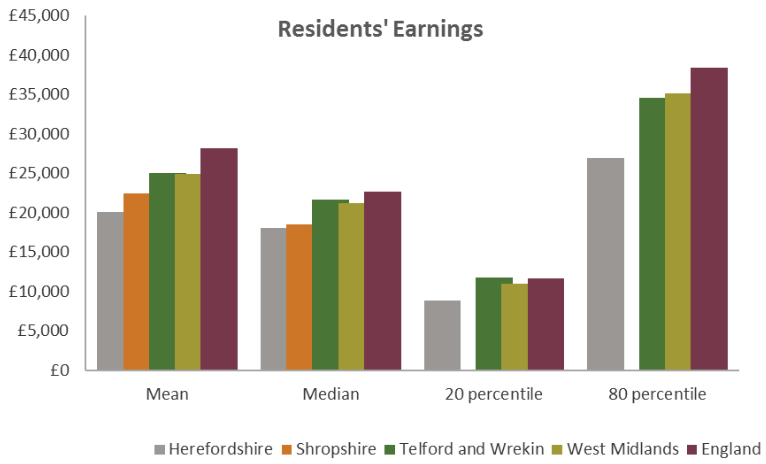
Source: Department for Education

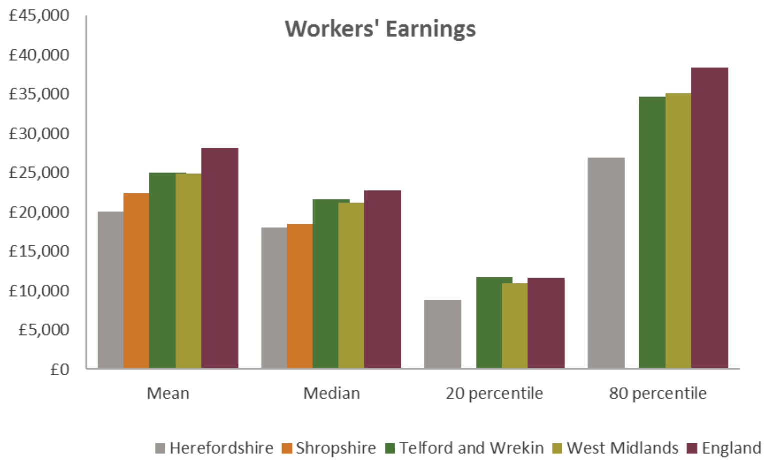
3.48 The latest Annual Survey of Hours and Earnings data reveals that earnings across the Marches are relatively low. This partly reflects the low-intermediate skills profile compared with England.

3.49 Figure 3.8 shows that, generally speaking, earnings in the Marches for both residents and workers lag behind the corresponding wages for the West Midlands and England. This is also consistent at the lower and upper percentiles.

[5] Innovate UK, Investment by technology type, 2010-2014

Figure 3.8 Residents' and Workers' Earnings in the Marches, the West Midlands and England, 2015



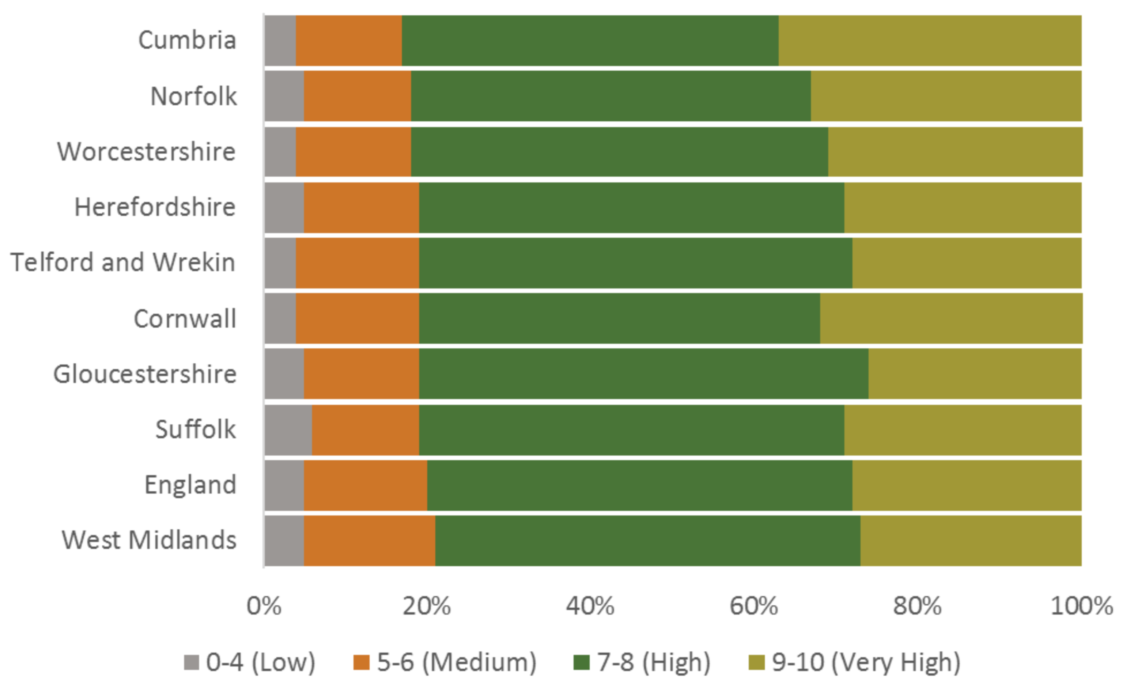


Source: Annual Survey of Hours and Earnings. Earnings data for workers in Shropshire at the 20th and 80th percentile is not reported.

Quality of Life

3.50 Life satisfaction data published by the ONS shows that residents in Herefordshire and Telford and Wrekin are relatively satisfied with their lives nowadays: approximately 81% of residents in both local authorities rated the area seven out of 10 or higher. This is higher than England and the West Midlands, although lower than the proportions for Cumbria, Norfolk and Worcestershire. Due to a small sample size, data is unavailable for Shropshire.

Figure 3.9 Breakdown of Life Satisfaction, 2015 (where rating is out of 10)



Source: ONS Annual Population Survey. Data unavailable for Shropshire.

3.51 Conversely, the average life satisfaction ratings suggest that Herefordshire residents are marginally less satisfied than the average resident across England. Although the satisfaction of Telford and Wrekin residents exceeds the national average, the satisfaction levels are higher among some comparator LEPs (Cumbria, Cornwall, Norfolk and Worcestershire). The ONS has not published data for Shropshire due to a small sample size.

Table 3.5 Average Life Satisfaction Rating (out of ten), 2015

	Average Rating (out of ten)
Cumbria	7.88
Worcestershire	7.77
Norfolk	7.75
Cornwall	7.72
Telford and Wrekin	**7.65**
Suffolk	7.64
Gloucestershire	7.61
England	7.60
Herefordshire	**7.56**
West Midlands	7.56

Source: ONS Annual Population Survey. Data unavailable for Shropshire.

Deprivation

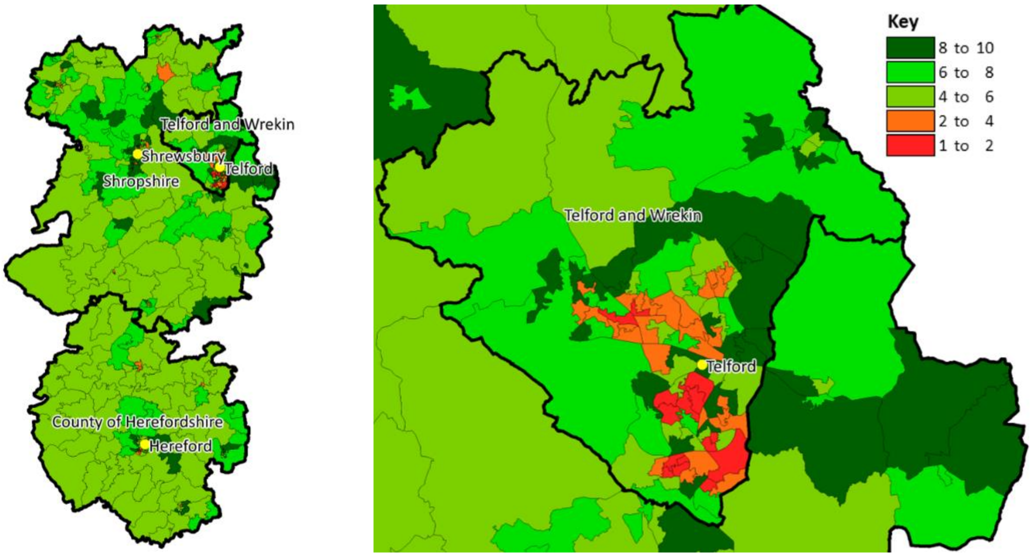
3.52 A closer look at the Index of Multiple Deprivation (2015) shows that, although relatively few in number, some areas of the LEP are characterised by high levels of deprivation. These pockets are mostly concentrated around Telford and Wrekin: over 10% of the lower super output areas (LSOAs) within the district are among the most deprived 10% LSOAs across the country.

3.53 Across the Marches, only 4% of residents live in the 10% most deprived LSOAs. The problem is more acute in Telford and Wrekin: approximately 13% of the district's population (22,200) live within these deprived areas, and of the Marches' residents that live in the most deprived LSOAs, 87% live in Telford and Wrekin.

3.54 The Marches LEP European Structural and Investment Funds Strategy 2014-2020 draws attention to the "concentrated areas of deprivation in the urban centres"[6]. This deprivation is considered to be long-term and driven by from generational worklessness, low aspiration and low skills levels. The latest IMD rankings place the Marches LEP as the 16th most deprived out of 39 LEPs.[7]

3.55 Figure 3.10 shows the deprivation levels for the Marches LEP as a whole, and highlights the high incidence of deprivation in Telford and Wrekin.

Figure 3.10 Map of Index of Multiple Deprivation Decile for LSOAs in the Marches and Telford and Wrekin (2015)



Source: DCLG. An LSOA with an IMD decile score of 1 indicates that the LSOA is among the 10% most deprived LSOAs in England.

[6] The Marches LEP European Structural and Investment Funds Strategy 2014-2020, Marches LEP, September 2014, P.53

[7] Rank of IMD average rank, where the IMD average rank is the rank of the average of the score for all LSOAs in the LEP area.

4. Supporting Business

This chapter explores the theme of 'Supporting Business' and analyses change over time and future prospects. It examines the defining characteristics of the key sectors of the Marches economy. Important points include:

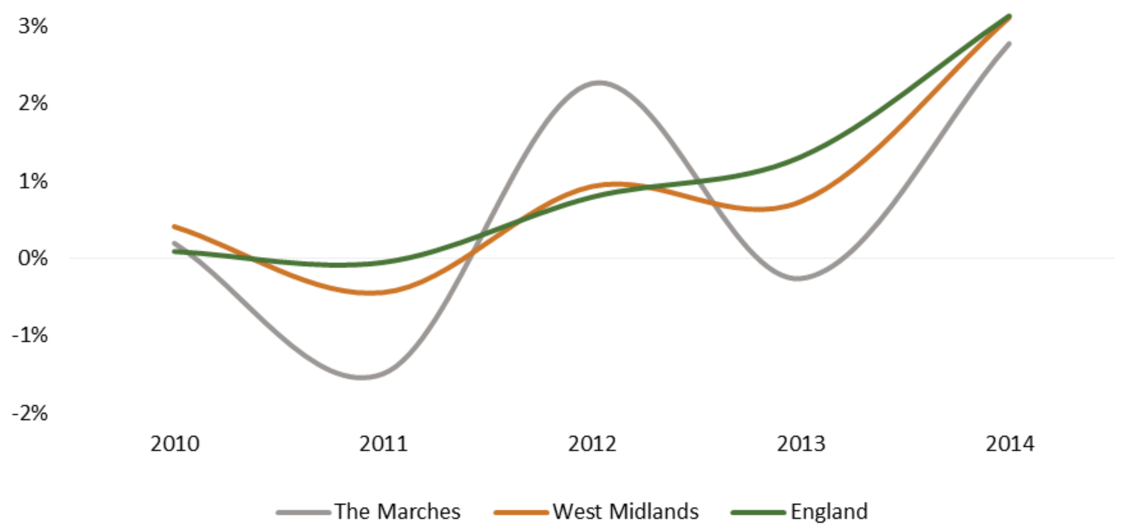
- The Marches is competing well on indicators such as employment rate, self-employment and private sector employment growth.
- However, there are clear challenges related to the productivity in the Marches economy. A number of factors underpin this including an under-representation of certain high value sectors such as professional services, finance and ICT. The Marches does have strengths in high value sectors such as manufacturing. Other factors contributing to the productivity gap include below average earning levels and a high representation of lower level skills.
- Sectoral analysis reveals that the existing priority sectors of advanced manufacturing, agri-tech (or more specifically food manufacturing and processing in the Marches context) and defence and securities are still valid. These differentiate the Marches from other locations and are driving productivity and growth. There is a need to support these sectors and to further their development through investment.
- Aspirational sectors have been identified such as environmental technologies and digital and creative. These are under-represented in the Marches but have favourable growth prospects
- Enabling sectors which provide for local needs and provide significant employment include health and social care, construction and professional services. Health and social care is of particular importance. This sector is low value but of strategic importance because of the demographic pressures the Marches is experiencing. The sector is over-represented in the Marches and has experienced historic employment growth and is expected to continue to grow.
- Other sectors such as tourism and hospitality also make an important contribution to the Marches economy in terms of employment and attracting visitors to the area but the sector is characterised by low productivity. The voluntary community and social enterprise sector is also an important employer in absolute terms and performs a valuable role in meeting the needs of the community and specific target groups.
- Programmes of business support, enterprise and innovation and skills development have an important role to play in facilitating growth in the Marches business base and driving up productivity. These will have maximum impact when explicitly targeted at identified sectors to achieve their potential.

Analysis

Fluctuating Employment Growth

4.1 The Marches employs over 267,000 people, a 3% overall increase since 2009 (9,000 jobs). This is lower than the 5% increase experienced both nationally and regionally. Table 4.1 shows that the Marches has been more susceptible to economic pressures and fluctuations in job numbers exceed those in the West Midlands and in England. The employment rate is 76%, exceeding West Midlands (70%) and England (73%).

Table 4.1 Change in Employment, 2009 - 2014



Source: BRES 2009-14

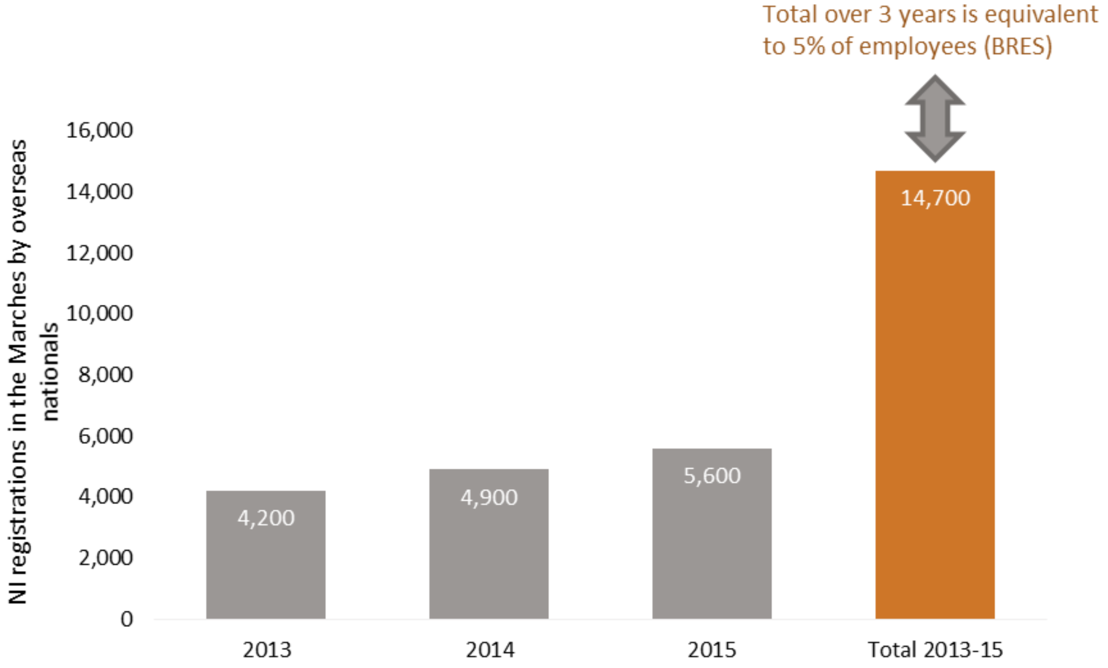
4.2 A third of employment in the Marches is part-time, although the number of full time jobs has been growing at a faster rate than part time (5% and 1% respectively). Levels of self-employment exceeds 17%, putting the Marches 7th among all LEPs. Research suggests that since 2008 there is a trend in rising self-employment rates across the country, suggesting that the data on the number of employees is not a true reflection of jobs in the economy[8]. This is potentially downplaying the level of jobs, with further 'hidden employees' found within the self-employed. In the Marches self-employment is driven by professional services sector (14,000 self-employed, or 35%), although proportionately the self-employed are most prominent in construction (almost half, or 11,800 people), and agriculture (40% or 5,400 people).

4.3 Anecdotal evidence suggests that the Marches attracts high levels of migrant labour, particularly in land-based sectors. APS data on nationalities and ethnicity shows that the LEP has a high proportion of UK nationals in its population (96% – 10th highest proportion among the LEPs).[9] However, the data on national insurance number registrations by overseas nationals provides a more relevant insight, showing the number of migrants who are coming into the Marches with the intention to work. Based on NI registrations data almost 14,700 new migrants came into Marches with the intention to work between 2013 and 2015. This ranks 28th among all the LEPs in absolute terms. However, considering the number in the context of population and employment levels, this total represents 2% of population and 5% of employment in the LEP, ranking the Marches 23rd and 16th respectively.

[8] Bank of England, Quarterly Bulletin Q1 2015, *Self-employment: what can we learn from recent developments*?

[9] Annual Population Survey 2015

Figure 4.1 National Insurance Registrations by Overseas Nationals, 2013-2015



Source: DWP, National Insurance Number Allocations to Overseas Nationals Entering the UK, 2013-2015

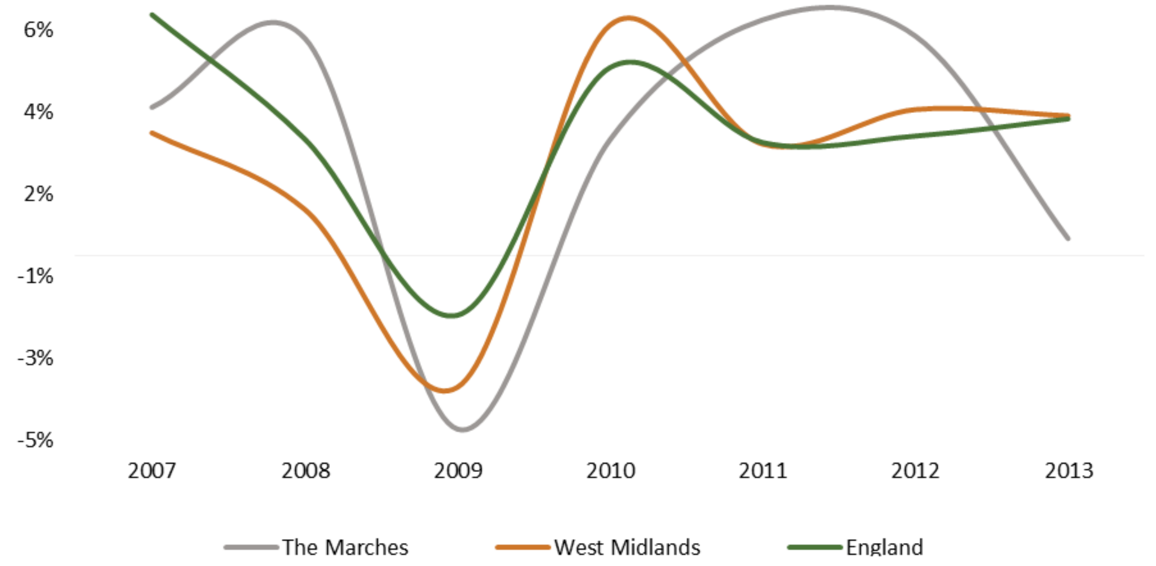
4.4 Over the last five years, the Marches experienced a considerable reduction of public sector employment (over 7,200 jobs, or -13%), with the private sector driving job growth (16,200, or +8%). In 2009 public sector jobs represented 21% of the total, which has now gone down to 18%, reflecting the increasing share of private sector jobs (82% in 2014). Based on the proportion of private sector employment, the Marches now ranks 24th.

4.5 Earning levels across the Marches are considerably lower than the national average with the sub-region ranked 34th out of the 39 LEPs.

Rising Productivity Gap with England

4.6 The Marches represent 11% of West Midlands GVA, and around 1% of total GVA in England. Trends show that the Marches have been have been affected by the economic downturn more than West Midlands and England, with an almost 5% contraction in GVA in 2009. While there are signs of recovery, the growth rate slows towards 2013.

Table 4.2 GVA Growth Rates, 2007 - 2013

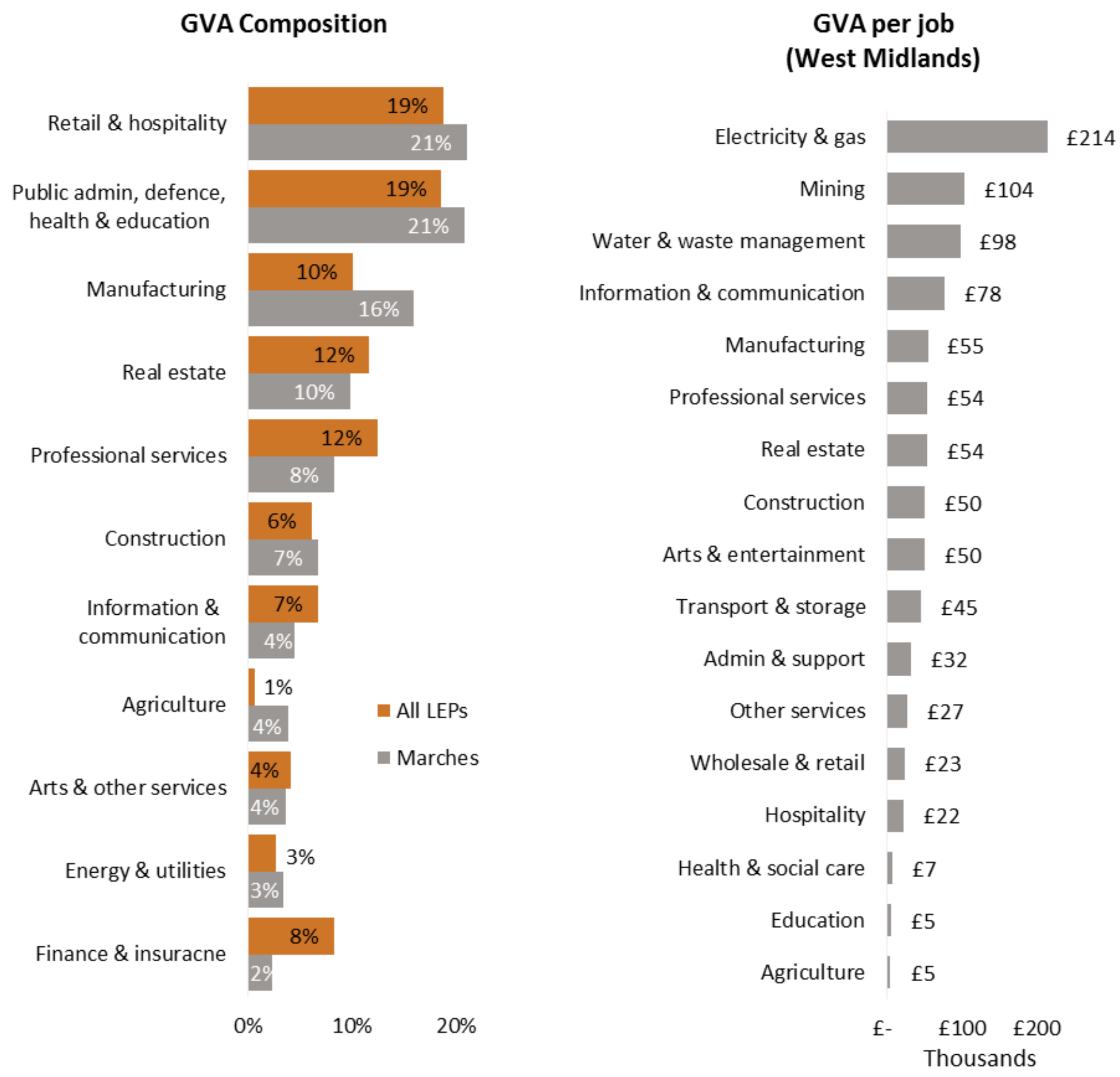


Source: ONS, GVA by LEP

4.7 In terms of GVA composition, the Marches' economy is driven by the retail and hospitality sectors (21%), followed by public sector services (21%) and manufacturing (16%). Although manufacturing constitutes a higher share of GVA in the Marches than average across all LEPs, the economy is also more reliant on lower value sectors such as retail and hospitality and public sector employment. The share of professional services (associated with high productivity) in the GVA composition is also lower than average.

4.8 This message is reinforced when looking at the GVA per job indicator by sector for West Midlands. To put this into context, the five lowest productivity sectors (per job) constitute 46% of the Marches' GVA – this compares to 39% nationally. The GVA per hour worked indicator ranks the Marches 26th amongst all LEPs.

Figure 4.2 GVA Composition: the Marches vs Average across All LEPs



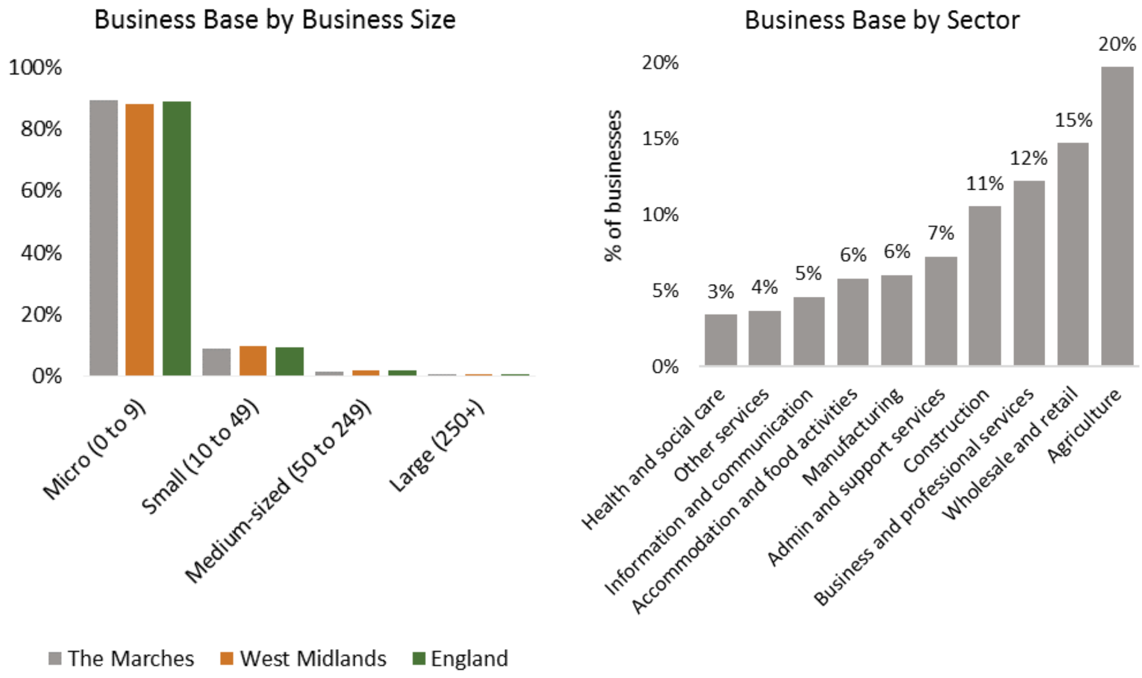
Source: ONS GVA by LEP; BRES

Business Characteristics

4.9 The Marches' business base contains over 29,800 businesses, having grown by 8% since 2010. The composition of businesses in terms of size closely mirrors that of West Midlands and England and is dominated by micro businesses (89%). The area ranks 15th among the LEPs on business enterprises per 1,000 population, with 45 enterprises for every 1,000 people.

4.10 Given the rurality of the Marches, it is unsurprising to see a high concentration of businesses in the agricultural sector, accounting for over 20% of all businesses. Overall, 90% of the business base is concentrated in 10 business sectors. Of these, the sectors that have experienced most growth in business numbers since 2010 include professional and business services (26%), information services (17%) and agriculture (10%).

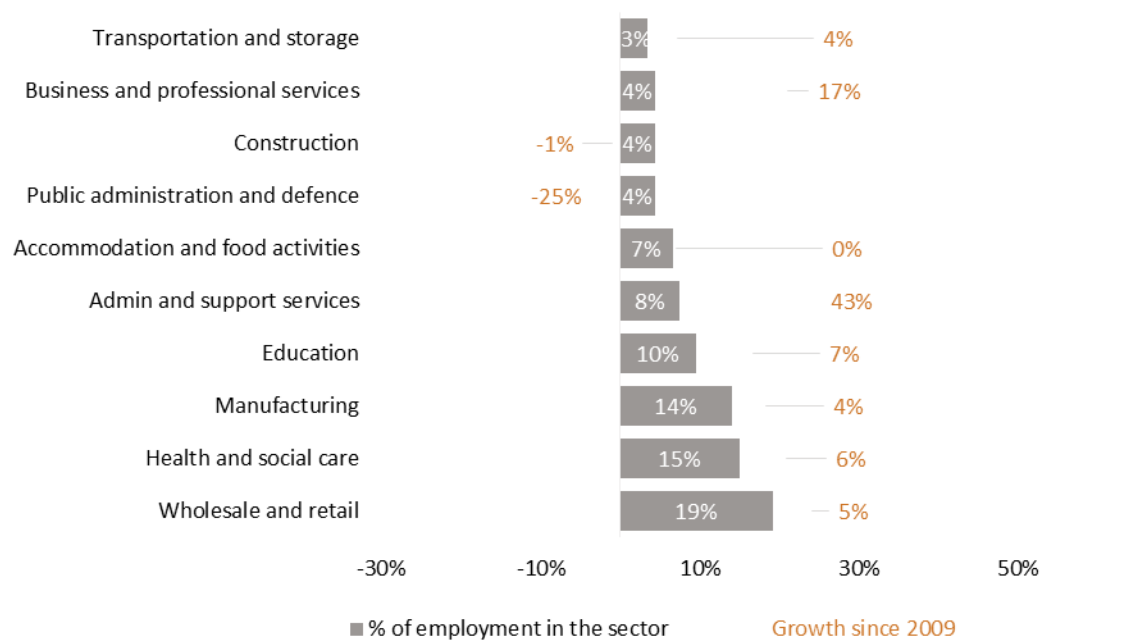
Figure 4.3 Business Base Characteristics, 2015



Source: UK Business Counts 2015

4.11 The largest employment sectors in the Marches include wholesale and retail, health and social care and manufacturing. These sectors have been expanding, growing between 4% and 6% since 2009. Sectors that have expanded the most since 2009 include administration services and professional and business services, growing by 43% and 17% respectively.

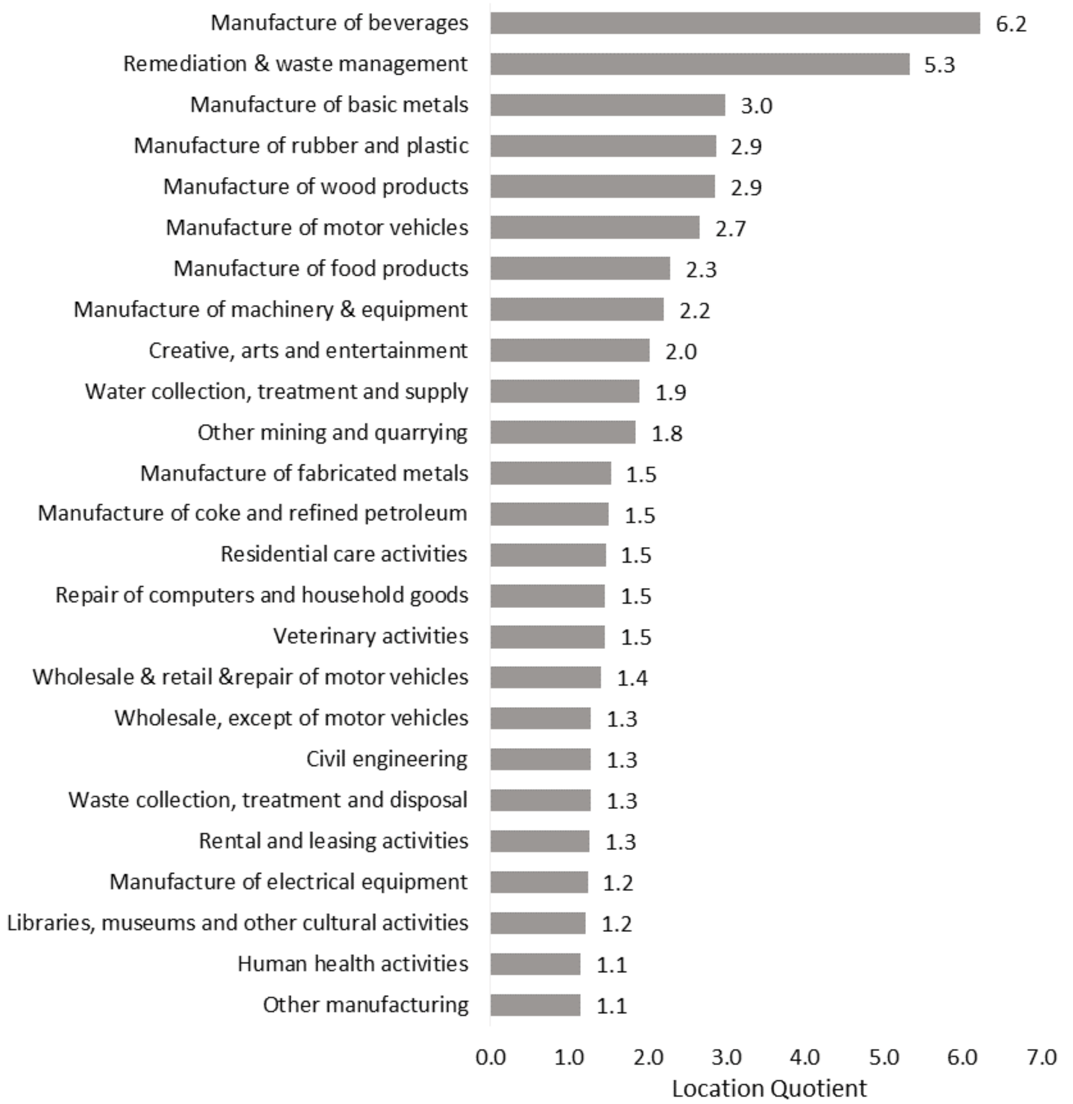
Figure 4.4 Employment by Broad Sectors and Employment Change, 2009 – 2014



Source: BRES 2009-2014

4.12 Location quotient analysis relative to England reveals that the Marches has employment concentrations in a number of manufacturing sectors, wholesale and retail as well as cultural activities.

Figure 4.5 Top 25 Sectors in the Marches by Employment Concentration, 2014



Source: BRES 2014

4.13 Analysis of employment in knowledge intensive industries[10] shows that 27% of employment is concentrated in these sectors in the Marches. This represents over 71,000 employees. In relation to other LEPs, however, knowledge intensive sectors are less prominent in the Marches, ranking 33rd on proportion of employment in these sectors.

Challenging business performance

4.14 The business survey conducted in the Marches provides further insight into firms' performance, perceptions about barriers to growth as well as aspirations and drivers. Detailed results are presented in Appendix A.

[10] UK Competitiveness Index Definition of Knowledge-Based Sectors

4.15 Business performance in the last year has been challenging, with almost a third of respondents citing business decline. Three main growth barriers have been identified, which would need to be overcome in order to stimulate growth in the future.

4.16 In driving business performance, market demand was a major factor among businesses for the majority of respondents (55%). Internal performance factors are also important, and businesses highlight the role good strategy and bringing out new products or services to market play in driving business growth. Skills were identified as a barrier to growth, with employers feeling that the provision of training was lacking, and they were encountering recruitment challenges. Digital and infrastructure barriers were also identified.

4.17 These challenges need to be addressed if businesses are to achieve their growth aspirations in the future: businesses are keen to grow, and all survey respondents aim to grow sales, with the vast majority also aspiring to increase employment and improve productivity. To achieve this, the main factors that would be addressed by the businesses echo the drivers identified earlier:

- Stronger marketing, which has driven historic growth and is expected to drive growth in the future by the majority (56%) of businesses
- Breaking into new markets is also expected to be increasingly important for growth aspirations for almost half of respondents
- Market demand has and will continue to affect growth, with stimulated demand a factor of most firms (51%).

Investment Patterns

4.18 UKTI annually monitors foreign direct investment (FDI) performance across LEPs, with the latest data available for 2015. It covers projects supported by UKTI and the LEP, as well as those landed in the UK with no support or involvement.

4.19 2014/15 is seen as a successful year for inward investment in the UK, with 1,988 projects attracted – 12% more than the year before and the record number attracted in a year so far. In the Marches, 30% more projects were attracted in 2014/15 than the year before (16 compared to 12 in the previous year). Overall, the Marches ranks 24th among the LEPs on projects attracted, having climbed up from 29th place the year before.

4.20 The Marches performs particularly well in attracting Advanced Manufacturing and Engineering businesses: 12 out of 16 FDI projects were in these sectors in 2014/15. The projects delivered over 300 new jobs and safeguarded a further 250 jobs. Almost 90% of the projects attracted were from the EMEA region.

4.21 Looking ahead, UKTI and the LEP aim to strengthen the focus of inward investment activity on key sectors: advanced manufacturing and engineering (including automotive), defence and security, and agri-food.

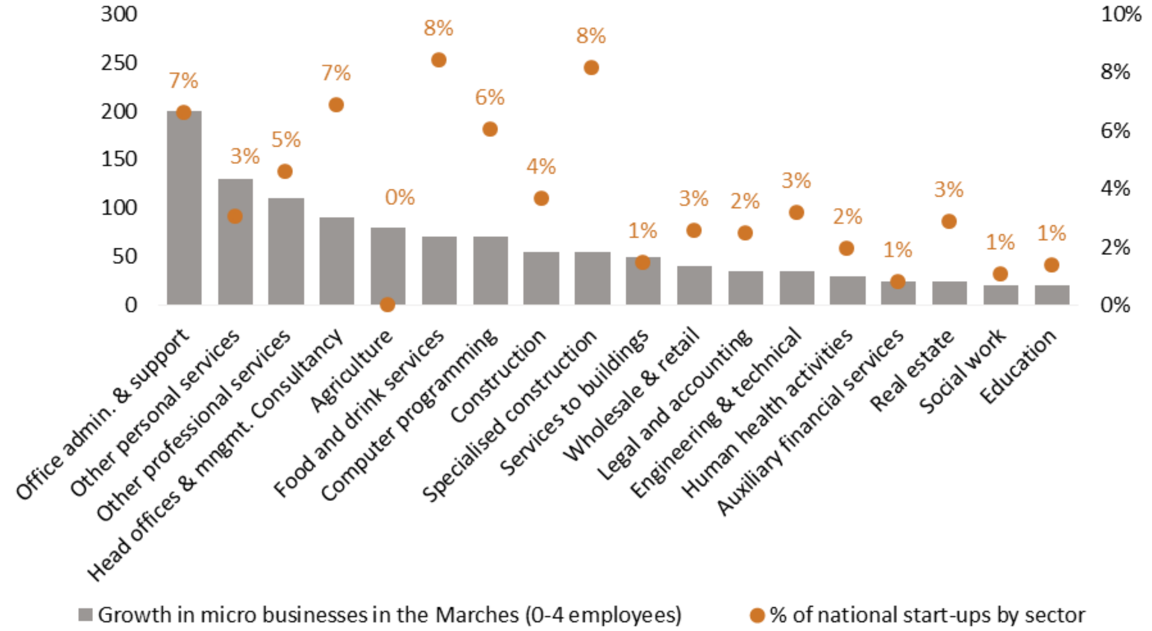
Strong Enterprise Performance

4.22 The Marches show strong business start-up rates: the latest (2014) data shows 1.5 start-ups per 1,000 population, ranking it 8th among all LEPs. The new businesses have strong survival rates, with 78% of business start-ups surviving 2 years or more. This ranks the Marches 2nd among other LEPs for business survival.

4.23 To gain a better understanding of the types of business start-ups and their survival, the business demography dataset contains information on start-ups by sectors and survival by sector at a national level. These can be considered in the context of the business base in the Marches, and changes in micro businesses in the last year to give an indication of the likely sectors that are driving the start-ups in the LEP area.

4.24 Around half of new businesses in the Marches with fewer than four employees are in the professional and business services sector – this corresponds to a third of start-ups in the sector nationally. Among other new businesses are ones in the agricultural sector (differentiating the Marches from the UK), computer programming businesses and construction activities.

Figure 4.6 Start-ups and New Micro Businesses by Sector, UK and the Marches (2014)



Source: Business Demography 2014; UK Business Counts 2014-15

Relatively weak performance on measures of innovation

4.25 In 2012, there were 26 patent applications from businesses within the Marches[11]. These included patents in ICT (18%), environmental technologies (4%), nano and medical technologies (4%), and pharmaceuticals (5%). Overall, however, the Marches form a very small share of UK's patents (less than 1%).

4.26 The Enterprise Research Centre (ERC) published a report on innovation levels in LEPs in 2013 which builds on the findings from the 2012 UK Innovation Survey. The report considers six innovation indicators: product and service innovation, new to market innovation, process innovation, strategy and marketing, R&D and collaboration for innovation. Overall, taking account of all components the Marches shows a relatively weak performance, especially considering the prominence of manufacturing in the LEP area. It ranks 36th overall among the 39 LEPs on innovation:

[11] OECD Patents Applications by NUTS3, 2012

- best performance in the Marches is in **collaborating for innovation**. Collaboration and knowledge sharing can maximise innovative potential among firms. The indicator covers businesses that have worked with other partners between 2010 and 2012. 20% of firms indicated they collaborate, ranking the Marches 18th.
- a key aspect of innovation capabilities among firms is **product and service innovation**, as it impacts on growth and productivity improvements in businesses. This often depends on the structure of the business base in the area: businesses operating in highly competitive markets are more likely to bring out new products. This also applies to large businesses, which are more likely to have the capabilities to introduce new products. 15% of businesses engage in products and service innovation in the Marches (38th).
- **Process innovation** reflects developments in manufacturing and business processes, often making forms more competitive by reducing costs, or increasing productivity and flexibility. Considering the presence of manufacturing in the Marches, performance is process innovation is poor: only 8% engage in process innovation, lowest among all LEPs.
- **Strategic and marketing innovation** is becoming increasingly more important, as the strategic approach of the business can create considerable commercial advantages. Just under a quarter (23%) of businesses engage in strategic and marketing innovation in the LEP (37th).
- **Research and development (R&D)** engagement reflects knowledge and new technological discoveries. 14% of firms in the Marches engage in R&D (35th).

Key Sector Analysis

4.27 The following section examines and tests sectors in the Marches against criteria which includes employment growth, productivity contribution and enable growth. Based on the analysis of employment, growth and key indicators, the sectors are grouped to reflect their role in the Marches. These are categorised as:

- **Priority Sectors:** the sectors that differentiate the Marches from other locations, are considered to be high value in their contribution to the economy and have strong global prospects.
- **Aspirational Sectors**: these are the sectors which contribute high value but are currently under-represented in the Marches, although they are growing and are forecast to continue to grow.
- **Enabling Sectors:** the sectors that employ significant numbers in the Marches and play an important role in meeting resident and business needs. These sectors are anticipated to grow in the future.
- **Other sectors**: other sectors which are significant in absolute employment terms.

Priority Sectors

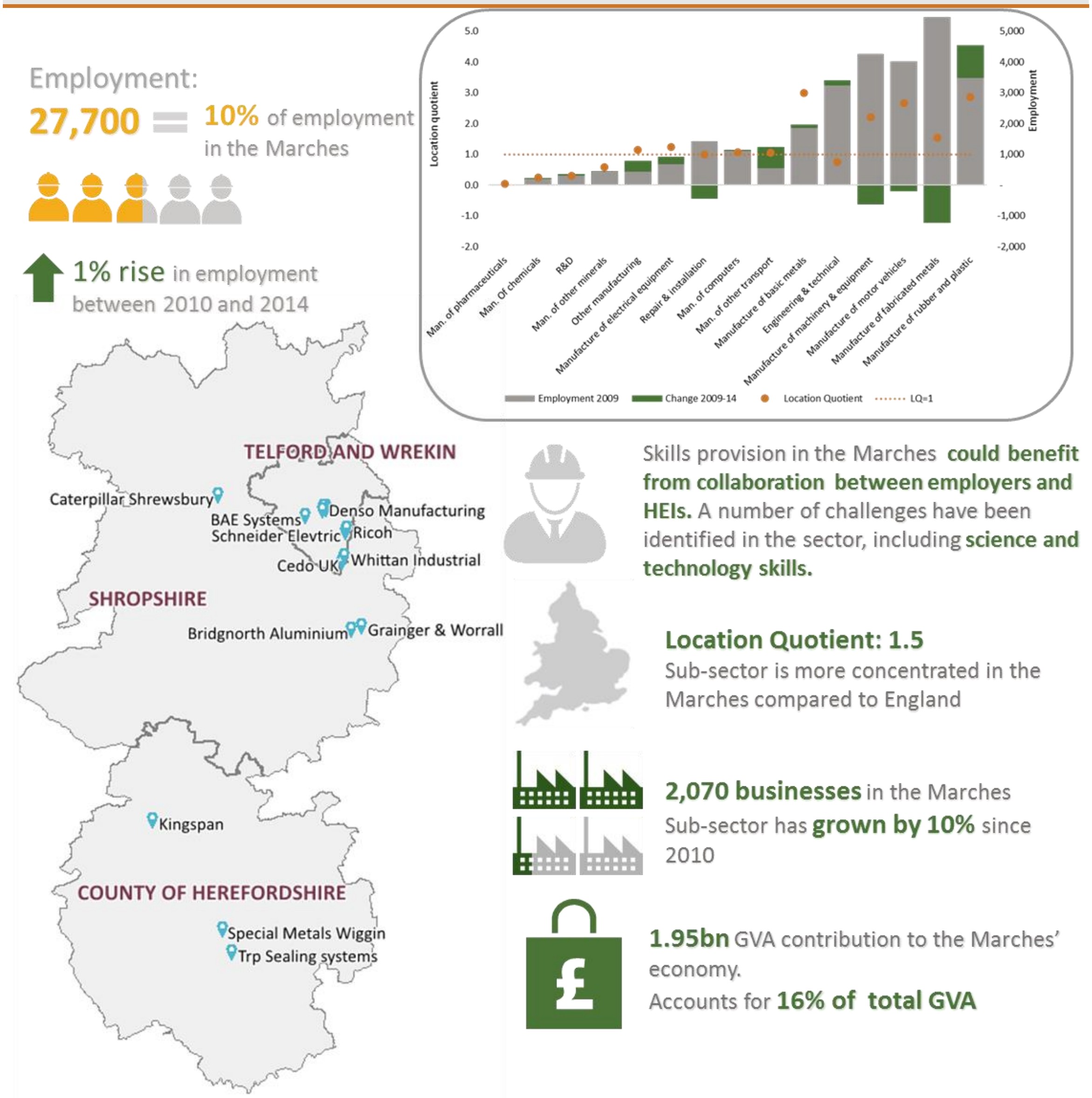
4.28 The Marches has three well established sectors which are considered to be a priority in terms of their employment and productivity contribution and prospects for growth.

Advanced Manufacturing and Engineering

Advanced manufacturing and engineering encompasses some of the eight great technologies in which the UK is set to be a global leader, including robotics and autonomous systems, and advanced materials. These technologies from part of the UK Industrial Strategy released in 2012, and are seen as being well placed to increase their domestic and global markets. The High Value Manufacturing Catapult Programme had been established earlier in 2010 to merge the gap between innovation and commercialisation. The Catapult targets the strategic sub-sectors that play to UK's strengths and have most significant growth potential. On a sub-regional level, the manufacturing sector is seen as a strength in the Marches, and is one of the priority sectors in the Marches SEP.

4.29 The Advanced Manufacturing and Engineering sector employs 27,700 people across the Marches and accounts for 2,070 enterprises.

Figure 4.7 Summary Infographic – Advanced Manufacturing and Engineering



Source: Regeneris Consulting 2016

4.30 The main employment concentrations within the sector lie within automotive, metals and equipment as well as rubber and plastics. Overall, the sector has grown over the last five years: employment has increased by 1%, or just over 200 employees (2009-2014).

4.31 The number of advanced manufacturing enterprises has grown by 10%, with 180 new businesses since 2010.The key sub-sector driving the change in employment has been rubber and plastic manufacturing (expanding by 30%, or 1,200 employees. Other growing sub-sector includes transport manufacturing which more than doubled (130%, or 700 employees). Some of the main sub-sector players are located in the area, primarily in Telford, including BAE Systems, Bischof & Klein, Cedo, Craemer, Ricoh, GKN Land Systems and Denso.

4.32 There are other elements of advanced manufacturing that have contracted since 2009-10. This mainly concerns machinery and equipment manufacturing, which shrank in employment (-15%) and business numbers (-13%). This has had implications for the sector clustering, which also went down, changing the location quotient from 2.5 in 2009 to 2.2 in 2014.

4.33 In addition to the polymer companies in Telford, big advanced manufacturing employers include world-famous names such as Caterpillar, Epson and Ricoh.

Food Manufacturing and Processing

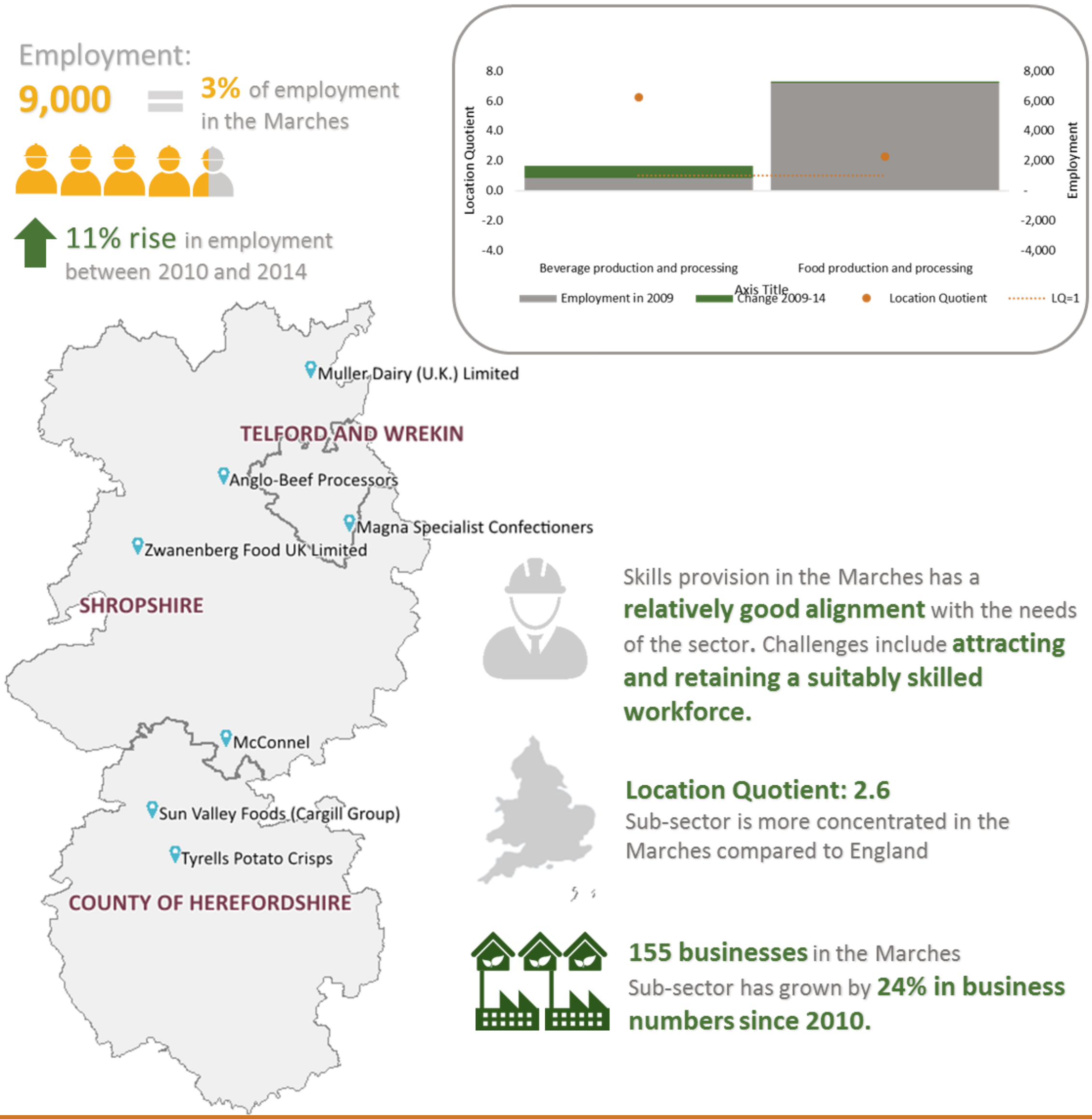
Policy drivers in the Food Manufacturing and Processing sector are defined by agri-science strategies by the UK Government, which the sector is a vital component of. Food production was identified as the single largest manufacturing sector in the UK, and the 2012 Industrial Strategy names agricultural technologies as one of eight 'great technologies' with business capability, expertise and research to drive future economic growth. The UK Strategy for the Agri Science sector was set in the context of global changes of rising population and resource pressures which, alongside technological advances in, positions the UK to play a leading role in the global challenge of the 'sustainable intensification' of agriculture and food production: producing more with less input and impact. The sector is identified as important at a sub-regional level in the Marches, and is identified as one of the priority sectors within the Strategic Economic Plan.

4.34 The sector in the Marches has almost 9,000 employees, representing c. 3% of total employment in the Marches. The sector accounts for 155 businesses and has shown significant growth in the last five years: the sector expanded by 24% since 2010 in terms of business numbers, and 11% in terms of employment.

4.35 The drinks manufacturing element is particularly prominent in the Marches, with employment concentration in the sub-sector over 6 times the national level, having doubled in size since 2009. Food manufacturing has also been growing, with the business base expanding by over 20% over the same period.

4.36 The spatial analysis of employment distribution of the sector shows almost half (47%) of food manufacturing employment is in Shropshire, with around 40% in Hereford, and just over a tenth in Telford and Wrekin (11%). While Shropshire dominates the employment across most food manufacturing, Hereford is the primary location for drinks manufacturing.

Figure 4.8 Summary Infographic – Food Manufacturing and Processing



Source: Regeneris Consulting 2016

Table 4.3 Main Food and Drink Employers in the Marches

	Employees
Sun Valley Foods (Cargill Group)	1,300
Muller Dairy (U.K.) Limited	700
LAF Holdings Limited	500
Zwanenberg Food UK Limited	300
Kerry	-
Anglo-Beef Processors (ABP)	-
Fullwood	-
McConnel	-
Magna Specialist Confectioners	-
Tyrells Potato Crisps	140

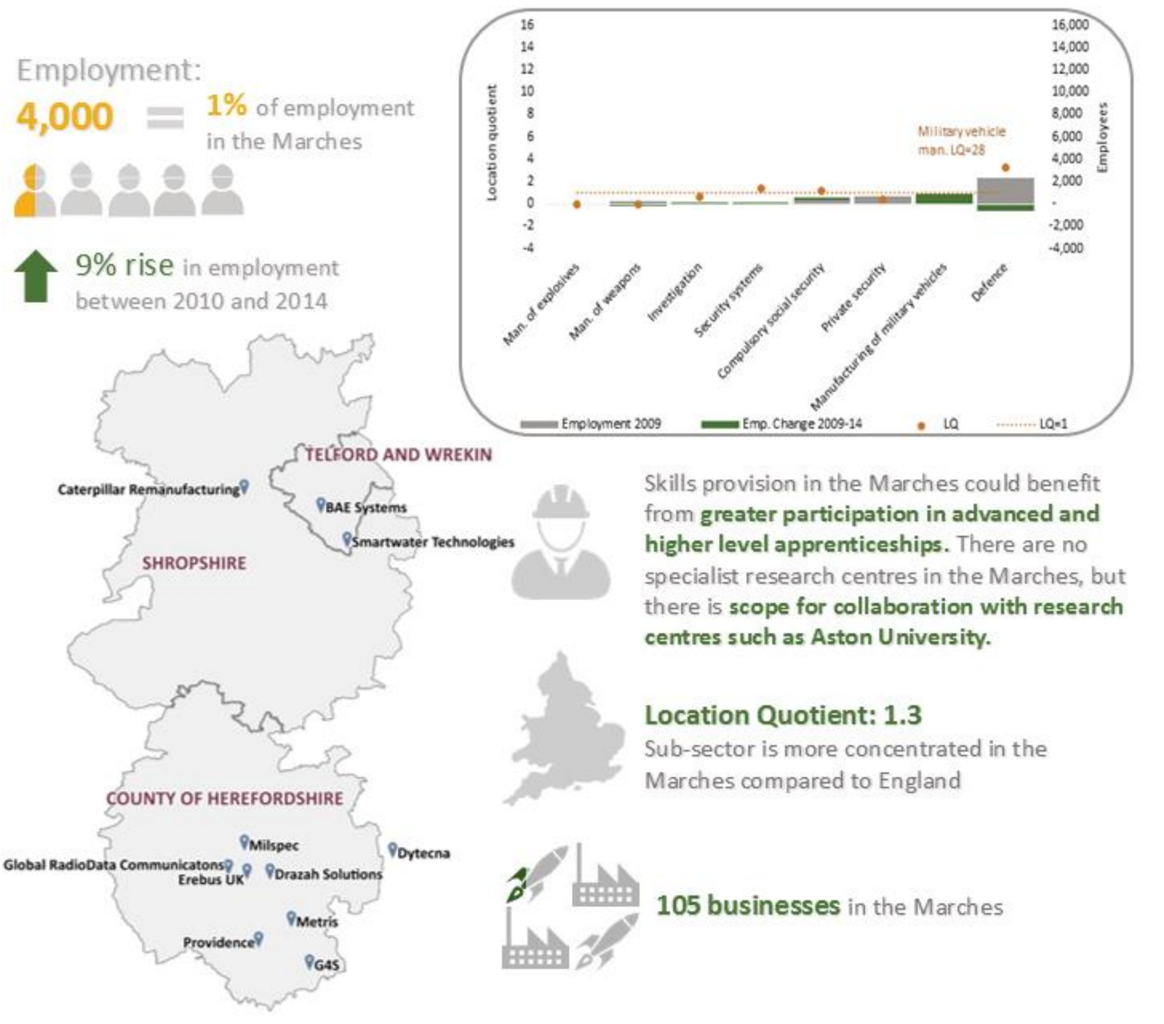
Source: DueDil; Food and Drink Inward Investment Research, 2013

Defence & Securities

The Defence sector is seen as vital for the UK economy, as it serves not only the domestic market, but is a number one exporter of defence equipment in Europe. Government and industry have come together to form the Defence Growth Strategy (2013), which sets out the strategy and vision for the UK defence sector. The strategy aims to build on the UK's air capabilities and intelligent systems, and deliver growth through innovative solutions. The defence sector has been identified as one of the growth opportunities in the SEP for the Marches, as the presence of key market players in the area present growth opportunities that could be built on.

4.37 The Marches have a strong presence of defence and security activities. With an employment base of almost 4,000, the sector concentration in some elements is triple the national level. The employment within the sector expanded by 9% since 2009. This is mostly due to a new sector emerging in the Marches- the manufacturing of military vehicles. Defence, on the other hand, has shrunk by 600 employees (26%), but still maintains a high concentration of employment (LQ of 3.2).

Figure 4.9 Summary Infographic – Defence and Security



Source: Regeneris Consulting 2016

4.38 UK Business Counts show that there are 105 businesses in the defence and securities sector in the Marches, a 5% reduction since 2010. However, this number may not represent the true extent of the sector due to the limitation of using SIC code analysis and definitions. The main location for defence sector businesses is Herefordshire, clustered around the Enterprise Zone at Skylon Park. The LEP estimates there are 200 defence-related businesses in Herefordshire, while Shropshire houses the Defence College of Aeronautical Engineering, and Telford shows a concentration of aero and defence companies and supply chain around MOD Donnington.[12]

4.39 The LEP identifies the main sector employers and key players as BAE Systems, Caterpillar Remanufacturing, Drazah Solutions, G4S, Dytecna and Fujitsu among others.

4.40 DueDil identifies further employers in the sector, that include Providence (a global security equipment and training provider, servicing the government, with headquarters in Herefordshire); Milspec (manufacturer of electromechanical subsystems for defence); as well as specialised training providers (Metris and Erebus).

[12] The Marches LEP Website: http://www.marcheslep.org.uk/invest/whos-here/defence-and-security/

Aspirational Sectors

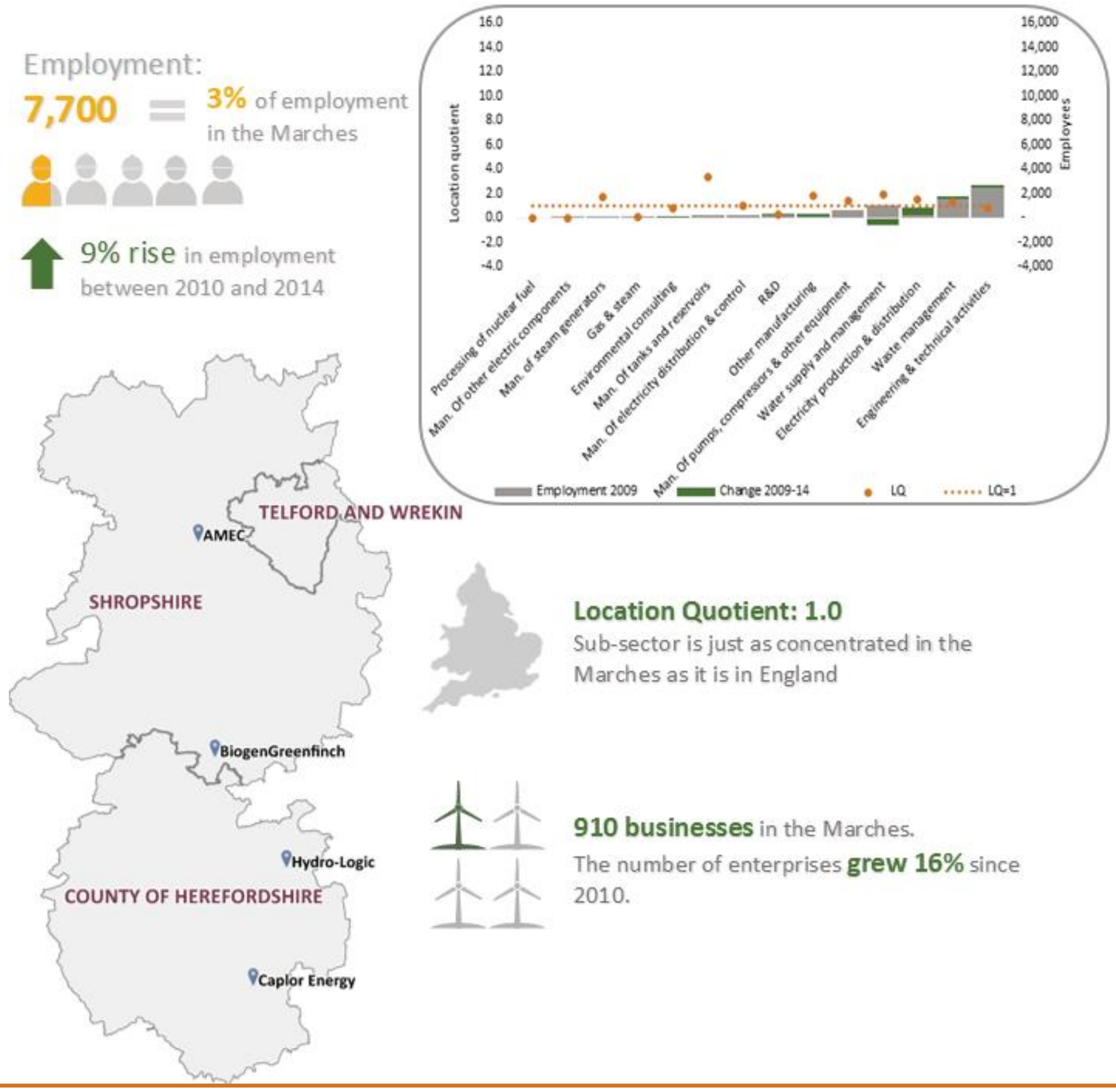
4.42 There are a number of sectors which are currently under-represented in the Marches but fit the criteria of priority sectors in terms of their economic contribution and the potential for growth.

Environmental technologies

UK Industrial strategy (2012) identifies the adoption of higher environmental standards as the main driver for environmental technologies, particularly low carbon and green energy generation. With rising demand, new export opportunities are likely to arise in the sector and the UK aims to take advantage of these. The Marches is focused on developing a sector as one of its priorities by increasing innovation and uptake of resource efficient technologies.

4.43 The environmental technologies sector has changed significantly in the last five years. With 7,700 employees in 2014 it is 9% bigger than it was in 2009.

Figure 4.10 Summary Infographic – Environmental Technologies



Source: Regeneris Consulting

4.44 The composition of the sector that shows how rapidly environmental technologies have emerged in the Marches:

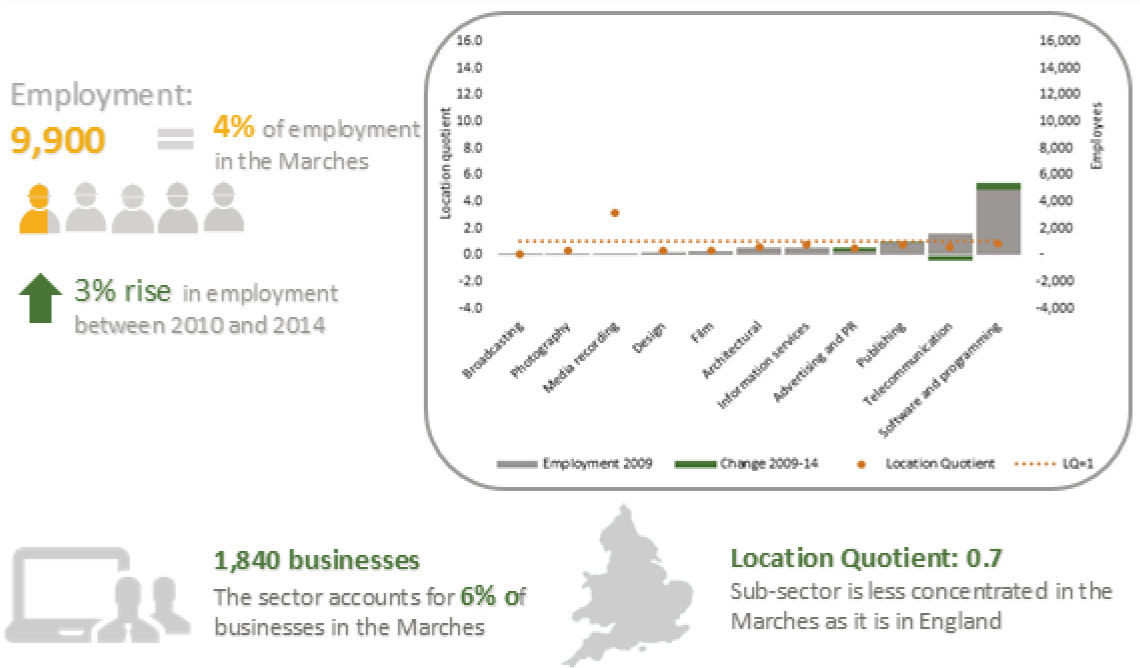
- 40 new electricity production and distribution enterprises have emerged in the Marches since 2010, with employment doubling over the same time period.
- The Marches have a clustering of specialist manufacturing activities for energy technologies such as reservoirs and generators. These have been experiencing reductions in employment, and business numbers have not grown.
- Environmental consulting activities have grown substantially, with employment and business numbers more than quadrupling in the last five years. While the employment concentration is below England's average, it has doubled since 2009 showing a cluster has started to form
- Water supply and management activities have a more established presence in the Marches, but employment has been falling.

4.45 The main industry players in the Marches are represented by Caplor Energy (installer of renewables), Hydro-Logic (environmental consultancy), AMEC (technical consultancy), BiogenGreenfinch (energy from waste).

Digital and Creative

Smart Specialisation in England (2015) emphasises the UK's advantageous environment to use ICT technologies to boost its competitiveness. Some of UK's strongest exporters are companies working in the information economy. To aid digital innovation, the Connected Digital Catapult was established in 2013. It will work to address innovation gaps and ease the delivery of innovative products to market.

Figure 4.11 Summary Infographic – Digital and Creative



Source: Regeneris Consulting

4.46 The assessment of the digital and creative sector presents a mixed picture. With just under 10,000 employees, the sector has grown overall in terms of employment (3%) and business base (17%). The sector does not have as much clustering of activities as some of the others: while there is some evidence of concentrations within media recording activities, employment in this sub-sector is relatively low and has been falling as has the number of businesses in the sub-sector.

4.47 Most employees within the digital and creative sector work in computer consultancy related activities, although location quotients are close to one, indicating that the employment in these activities reflects the national average.

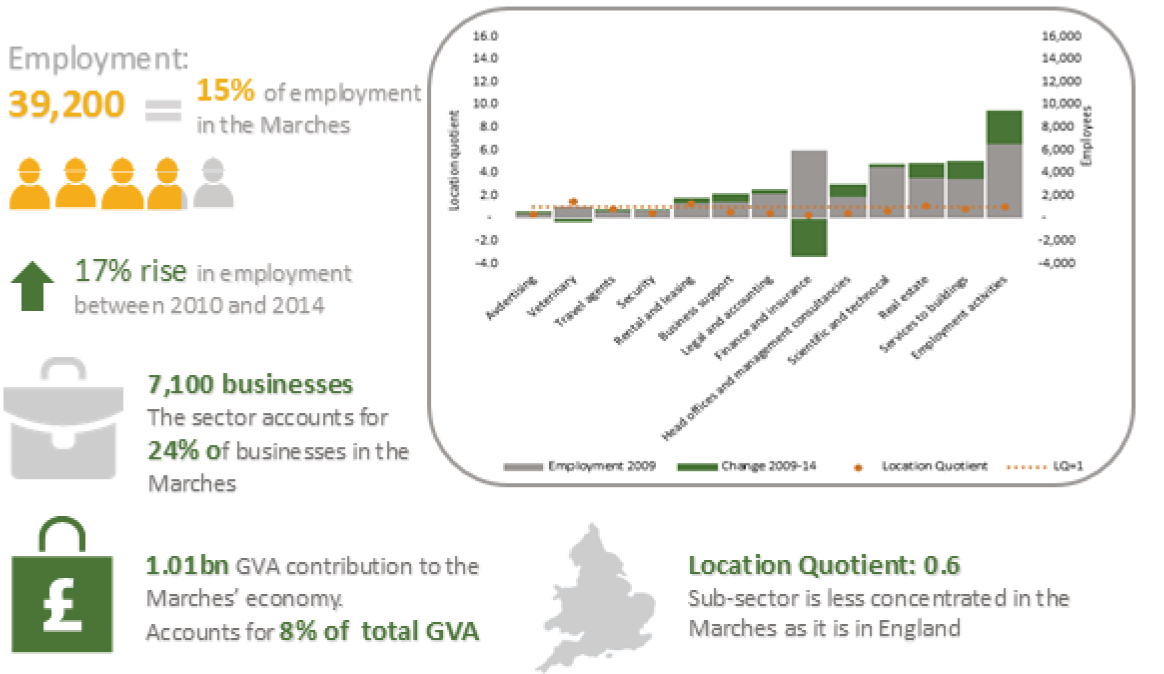
Enabling Sectors

4.48 These are the sectors that provide significant employment opportunities in the Marches and fulfil an important role in meeting resident and business needs.

Professional Services

The UK is renowned for its professional and business services and the Smart Specialisation in England (2015) highlights the importance of the sector for the country's economy. It was identified as one of the most resilient sectors, which continued to grow despite the economic downturn, and is characterised by low entry barriers, with additional 600,000 jobs expected in the UK in the next decade.

Figure 4.12 Summary Infographic – Professional Services



Source: Regeneris Consulting

4.49 Employment in the sector accounts for around 39,200 employees. The sector has grown by nearly a fifth in the last five years, both in terms of employment and business numbers. Employment services have been the driver of employment growth, with an extra 2,900 jobs since 2009. This corresponds to 30 more enterprises.

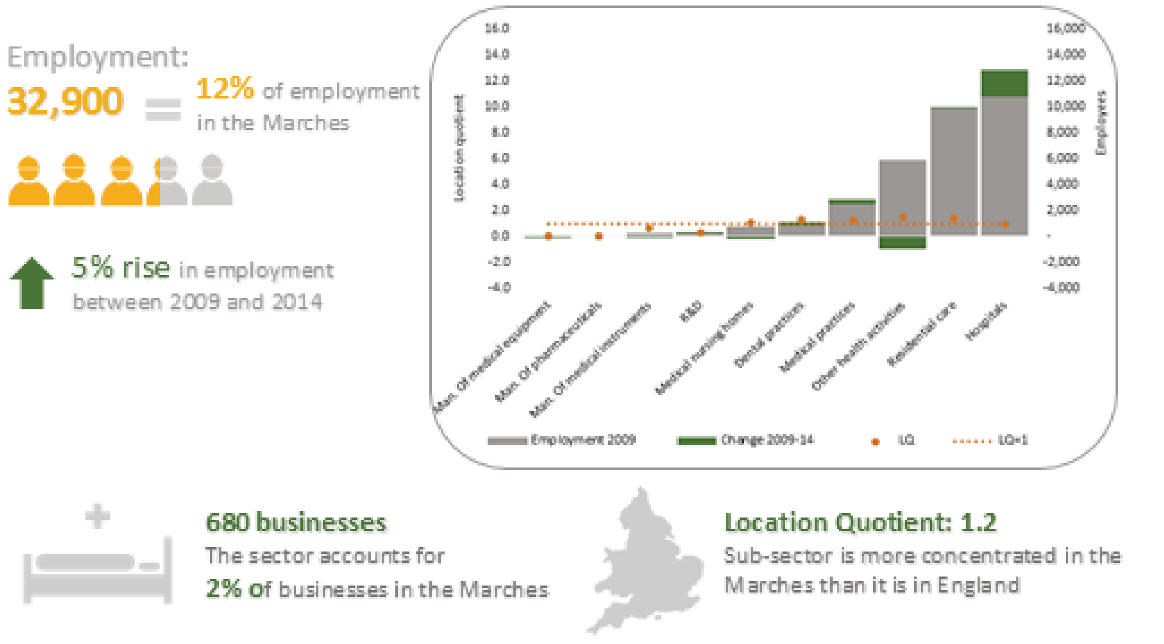
4.50 As well as growth, there have been contractions within some sub-sectors. This was mainly within the finance and insurance sector, which saw its employment reduce by 3,400 jobs.

4.51 The sector is mainly characterised by SMEs. The DueDil search for large employers in the sector identifies Aktrion - an international business and manufacturing support provider, with several functions in Shropshire (with an employee count of over 2,500).

Health and Social Care

The UK Industrial Strategy (2012) identifies the ageing of the population as having a significant effect on the demand for healthcare services. At a UK level the strategic focus lies on developing the life sciences sub-sectors, with pharmaceuticals seen as a strong growth opportunity for the UK given its competitive advantage.

Figure 4.13 Summary Infographic – Health and Social Care



Source: Regeneris Consulting

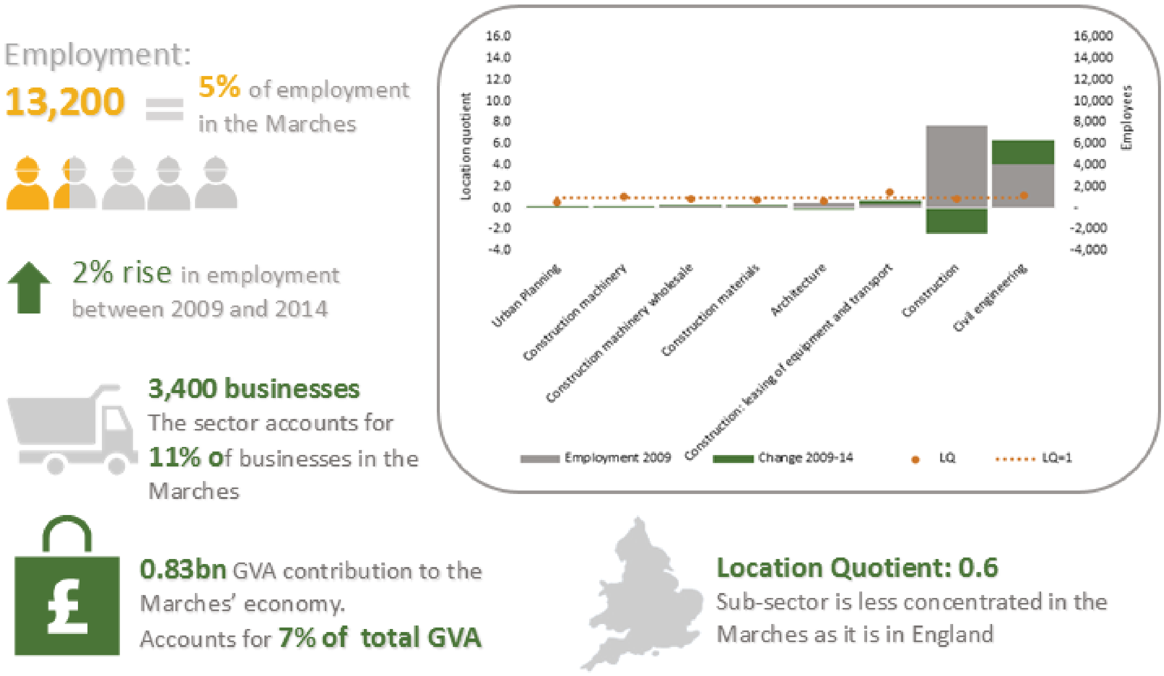
4.52 Health and social care activities form an important part of the Marches' economy, representing 12% of total employment. The employment has grown by 5% overall since 2009, with the number of enterprises expanding by 14% (since 2010). This is mostly driven by employment within hospitals. Concentration of employment is higher than average in the residential care sub-sector, although the number of businesses has been falling.

4.53 Levels of medical and pharmaceutical manufacturing are low.

Construction

The key drivers of the construction sector across the UK are based on the country's world-leading expertise in architecture, design and engineering, and sustainable construction solutions. These sub-sectors are expected to deliver considerable growth opportunities in the future according to Smart Specialisation in England (2015).

Figure 4.14 Summary Infographic – Construction



Source: Regeneris Consulting

4.54 The construction sector employs over 13,200 people. While the sector employment has grown by 2%, the construction business base has shrunk overall by 130 businesses (4%).

4.55 The two main strengths that emerge from the analysis are:

- Civil engineering, particularly the construction of utility projects. This ties in with the environmental technologies sector, and could complement it very well.
- Manufacturing of construction materials and equipment (fibre cement, lime and plaster as well as roadwork equipment). The sub-sector has low employment overall, but represents a high concentration relative to England in some elements: fibre cement manufacturing has an LQ of 4.3, while manufacturing of concrete crushers of 3.7.

4.56 Some of the construction companies originating in the Marches are presented in the table below. This does not include national businesses who may have a presence within the LEP area.

Table 4.4 Main Construction Employers		
Company name	Employee count	Location
Mcphillips (Wellington)	250-499	Telford
Pickstock Construction	250-499	Shropshire
Freyssinet	100-199	Herefordshire
M.F.Freeman	50-99	Telford

Source: DueDil

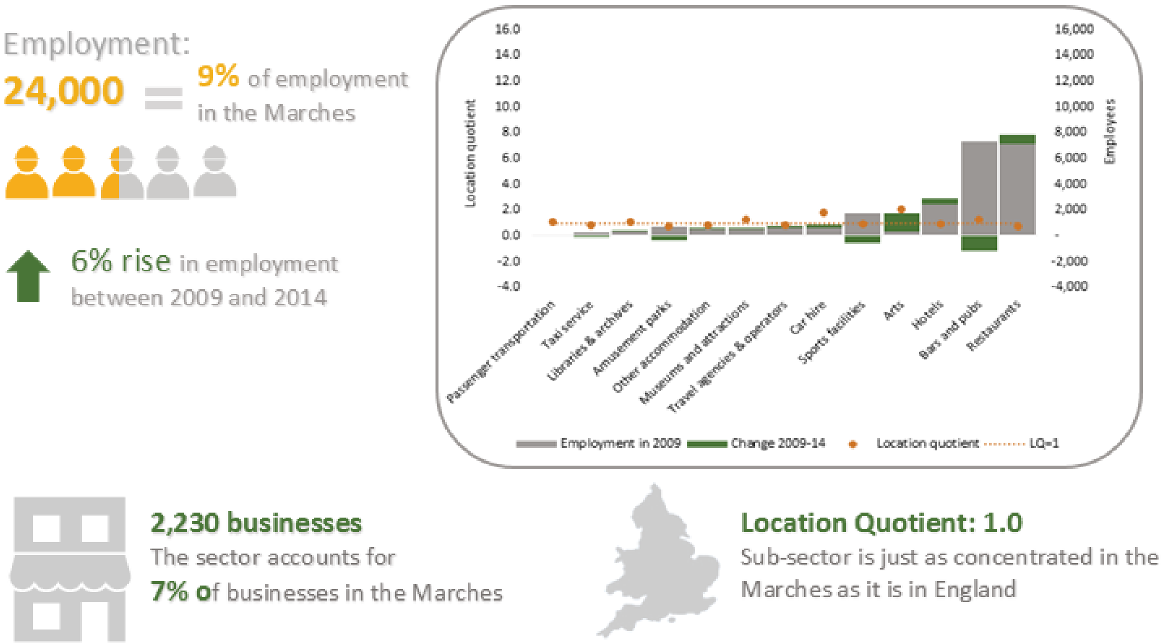
Other Sectors

4.58 There are a number of other sectors which play an important role in the Marches economy.

Tourism & Hospitality

The Strategic Framework for Tourism in England 2010-2020 aims to grow the national visitor economy by targeting its main drivers: global visitors, compelling destination offers, fostering the tourism industry, and facilitating engagement between visitors and experience. With a number of unique visitor attractions, the industry generates visitor spend which provides good revenue for local SMEs in the Marches.

Figure 4.15 Summary Infographic – Tourism and Hospitality



Source: Regeneris Consulting

4.59 The tourism and hospitality sector is an important component of the economy in the Marches, accounting for almost 10% of employment. This is equivalent to over 24,000 employees and 2,230 businesses. The sector is growing, and has expanded by 6% in the last five years, both in terms of employment and business numbers.

4.60 The growth of the sector is driven by increasing employment in restaurants, hotels, and especially arts: employment has increased more than four fold since 2009 in the arts sub-sector. At the same time, drink serving activities contracted by 15%, as well as employment within sports facilities.

4.61 Tourism and hospitality plays an important supporting role in the Marches' economy by providing employment opportunities. However, the sector is associated with low productivity levels, contributing to the structural productivity challenge in the LEP area, as outlined in the earlier productivity analysis. Encouraging higher value activity in the tourism and hospitality sector will contribute towards efforts to enhance productivity.

Voluntary Community and Social Enterprise (VCSE) Sector

The Social Enterprise Strategic Partnership (SESP) was commissioned by Defra to research the role of rural social enterprises in supporting LEPs to achieve their objectives[13]. The Marches was identified as one of three case studies. The report identifies social enterprises as 'businesses for social purposes' with common features including trade to tackle social problems, improve communities and people's life changes or environmental problems. The social enterprise sector is growing fast and is recognised as an enabler of rural growth.

4.62 The Marches has an active voluntary and community sector with 4,109 registered VCS organisations according to the Marches VCS Evidence base. Other key facts from the evidence base includes:

- Approximately 700,000 volunteers volunteer formally and informally.
- The sector employs an estimated 6,760 people.

Employment Forecasts

4.63 Working Futures provides employment forecasts for the Marches up to 2022 which provide insight into job openings created through expansion and replacement demand. These are available by a sector breakdown, but some of the sectors may not reflect the definitions used in the analysis above. We have compiled a best-fit analysis to relate growth to our analysed sectors, with complete employment forecasts for all sub-sectors presented in Section 6.

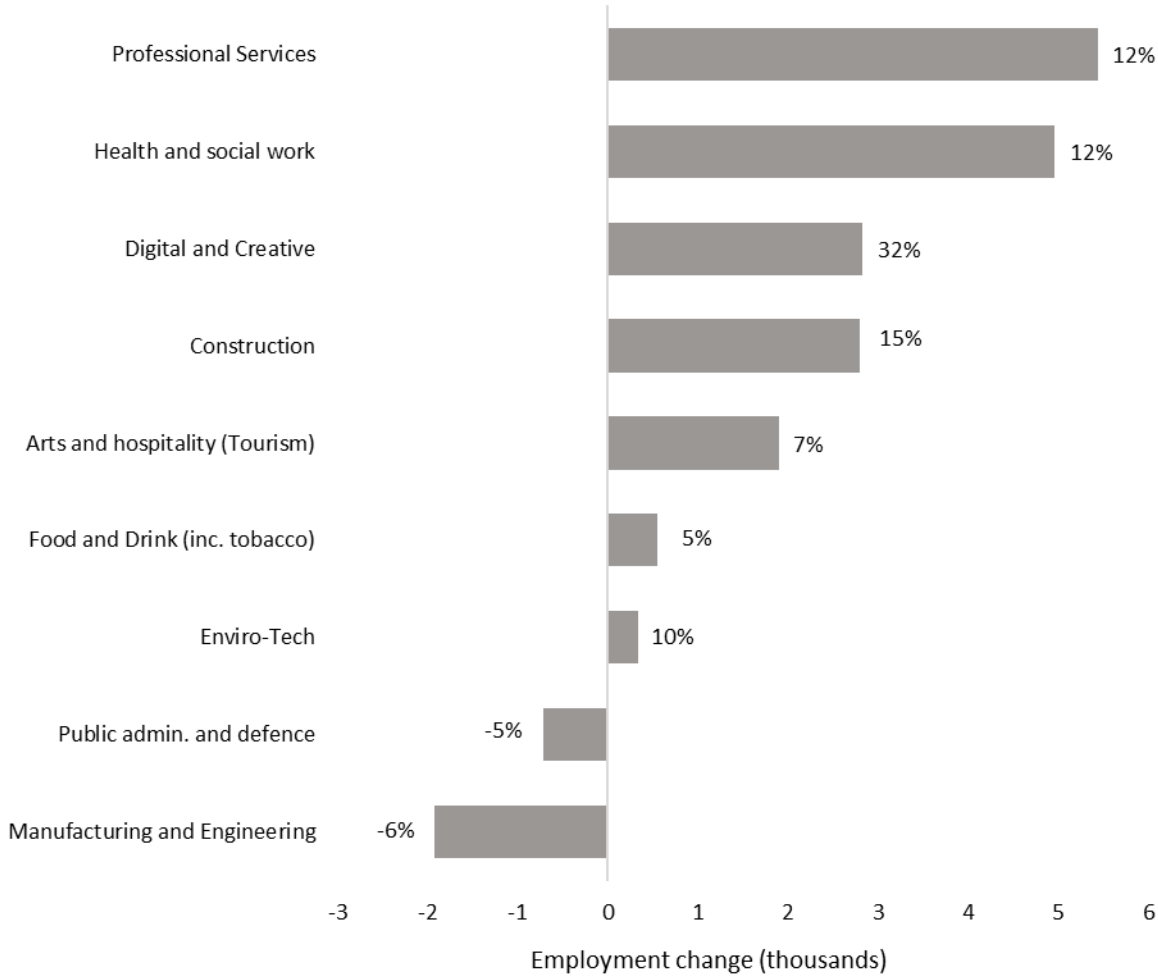
Expansion Demand

4.64 Looking ahead to 2022, employment in the Marches is set to rise by 17,000 compared to 2012 (or 5% in relative terms). Among the sectors with the most significant expected employment growth are the enabling sectors identified above: health and social care (12%, or 5,000 jobs), construction (15% or 3,000 jobs) and professional services (12%, or 5,000 jobs). Food and drink manufacturing is also expected to grow: forecasts show projected growth of around 600 jobs, or 5% up to 2022.

4.65 On the other hand, two of the other priority sectors that had shown historic strengths in the Marches are forecasted to decline in employment terms. Manufacturing and engineering is expected to shrink the most (-6%, or -2,000 jobs) and public administration and defence. The latter could be an indication of a decline in public sector employment, but due to limitations of the data we are unable to segregate defence out of the broader sector employment.

[13] DEFRA, 2013, Social Enterprises: their potential contribution to the Local Enterprise Partnerships growth objectives

Figure 4.16 Forecast Employment Change in the Marches, 2012 – 2022



Source: Working Futures

5. Physical Infrastructure

This chapter considers the adequacy of physical infrastructure in the Marches to support economic growth. This includes housing, employment sites, transport and virtual connectivity. Important points from the analysis include:

- Progress against the current target of 70,000 homes by 2031 is modest, with only 15% of target (7,920) achieved to date. Whilst there are a sufficient number of sites identified in the three Local Plans to meet this target, delivery is being held back by a number of barriers to investment such as access, servicing costs and developer confidence. Affordability is also an important consideration when seeking to attract and retain working age residents, especially young and first time buyers.
- The combined employment land targets set out by each Local Planning Authority total 514 hectares of which 16% has been delivered to date. The current SEP establishes a jobs target of 41,000 to be achieved between 2011-2031 which is derived on the basis of planned sites being developed across the sub-region. It is not possible to obtain employment figures for the number of jobs created at the sites developed to date, however employment in the Marches as a whole has grown by 12,300 between 2011-2014 (BRES) accounting for 30% of the target.
- The Marches LEP Business Views Survey identified three main perceived barriers to growth: the availability of skills, the adequacy of digital communications (specifically access to and speed of broadband and mobile coverage) and the adequacy of transport infrastructure (particularly road networks). The analysis of transport infrastructure supports these views identifying weaknesses such as traffic congestion in the main urban centres, poor transport links in rural areas, and a mainly single carriage road network contributing to increased congestion and low journey times. Similarly, the analysis of digital connectivity highlights the importance of mobile connectivity and the need to improve access to next generation broadband to enhance the Marches competitive position.

Housing

Housing on the National Agenda - National Planning Policy Framework (2012)

5.1 The National Planning Policy Framework (NPPF) sets out the Government's planning policies and how these are expected to be applied. The presumption in favour of sustainable development is central to the NPPF. Three dimensions of sustainable development are defined by the NPPF in setting out the role of the planning system:

- **Economic** – the planning system is able to perform an economic role through supporting growth and innovation.
- **Social** – the planning system is able to perform a social role through supporting strong, vibrant and healthy communities. This includes providing the supply of housing required to meet the needs of present and future generations and through accessible local services that reflect the community's needs and support its health, social and cultural well-being.
- **Environmental** – the planning system is able to perform an environmental role through protecting and enhancing the natural, built and historic environment.

5.2 The NPPF notes that these roles are mutually dependent and so should not be undertaken in isolation: 'to achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously through the planning system' (para 8).

5.3 Local Planning Authorities should 'proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs' (para 17).

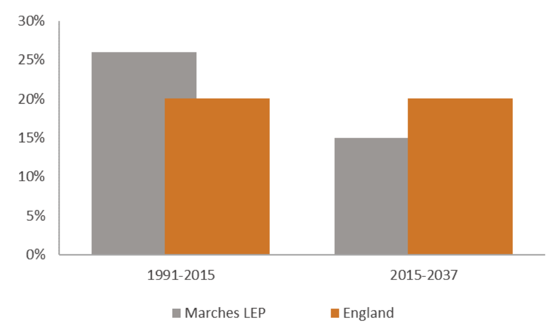
5.4 Of particular relevance to the Marches is the need for local authorities in rural areas to be responsive to local needs, particularly for affordable housing (para 54). This will be especially important in the context of an ageing population across the sub-region.

Household growth is expected to slow across the Marches

5.1 According to the ONS household data, there were 285,000 households across the Marches in 2015.

5.2 Household growth across the Marches is expected to slow over the next two decades. ONS household projections show that the number of households across the Marches rose by 26% between 1991 and 2015. Over the same time period, the number of households increased by 20% nationally. This rate of growth across England is anticipated to continue between 2015 and 2037. Across the Marches, however, the household growth rate will fall to 15%.

Figure 5.1 Household Growth Rates across the Marches and England, 1991-2037



Source: ONS

5.3 It is predicted that there will be around 325,000 households in the Marches by 2037, an increase of 45% compared with the 1991 position.

Relatively modest growth in house prices

5.4 Median house prices in each of the three local authorities in the Marches is below the national average. The highest median house price across the Marches was observed in Herefordshire (£184,000), followed by Shropshire (£164,000) and Telford and Wrekin, which features by far the lowest median house prices (£127,000). House prices in Herefordshire were high relative to prices across comparator areas, with the exception of Gloucestershire (£193,400).

5.5 Recent house price growth across the Marches has been sluggish. Between 2005 and 2015, median house prices in Herefordshire and Shropshire increased by 6% and 1% respectively. By contrast, the median house price in Telford and Wrekin fell by 5%. Comparator areas have experienced a stronger performance, for example the median house price in Gloucestershire increased by 13%, and median house price growth in Norfolk and Suffolk was 16% and 14% respectively. The median house price across England and Wales rose by 19% between 2005 and 2015.

Table 5.1 Summary of Median House Prices and Changes in the Marches and Comparator LEPs 2005-15

	Median House Price (December 2015)	% change in median house price (Dec 2005-Dec 15)
Herefordshire	£184,500	6%
Shropshire	£164,300	1%
Telford and Wrekin	£128,000	-5%
Cumbria	£122,000	0%
Gloucestershire	£193,400	13%
Norfolk County	£165,300	16%
Suffolk County	£170,600	14%
Worcestershire	£177,800	5%
West Midlands	£125,700	-1%
England and Wales	£188,300	19%

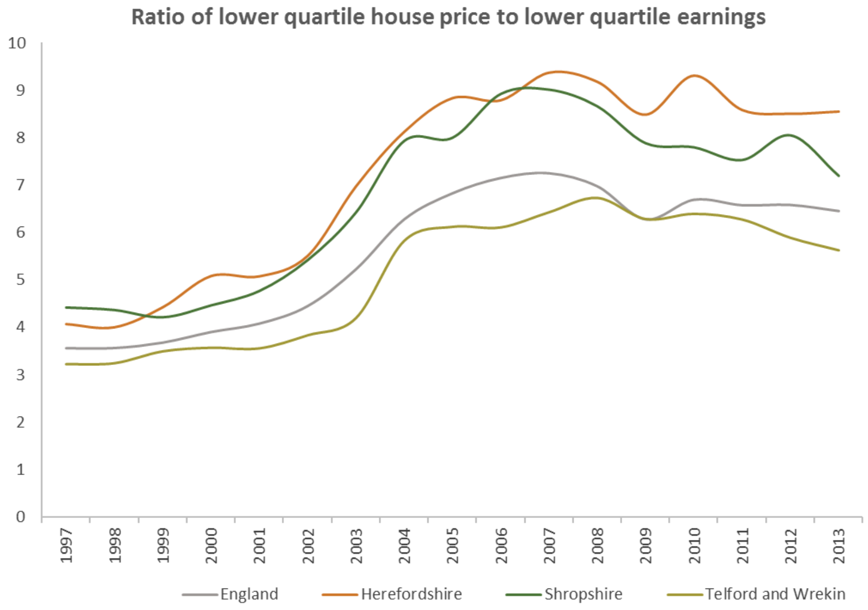
Source: Land Registry Data

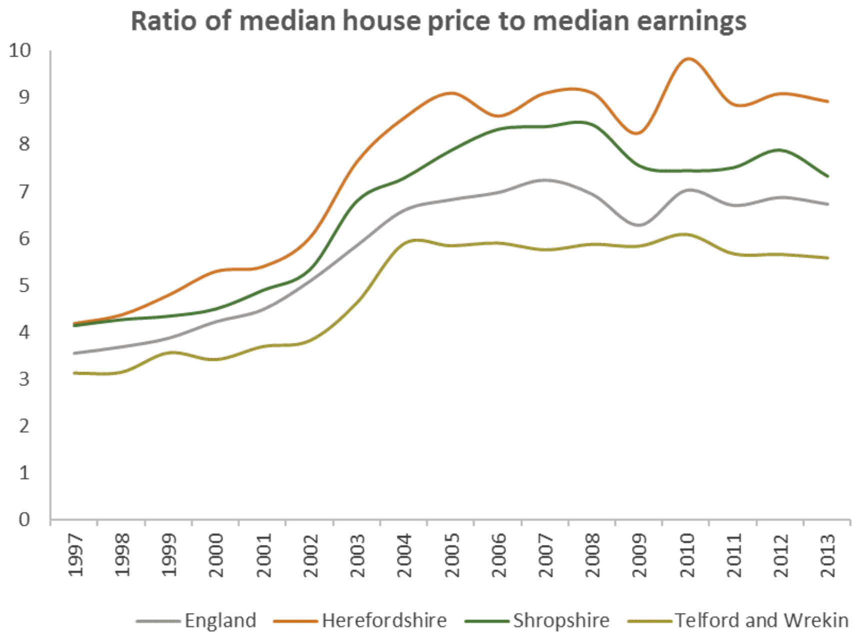
Affordability challenges

5.6 DCLG house price data identifies household affordability challenges for the Marches, particularly in Herefordshire and Shropshire. The lower quartile house price to lower quartile earnings ratio for the two districts in 2013 was 8.6 and 7.2 respectively. The corresponding rate for England in 2013 was 6.5. Between 1997 and 2013, this ratio increased by 110% and 63% respectively in Herefordshire and Shropshire, compared with growth of 81% in England. In Telford and Wrekin, the ratio was less concerning, rising from 3.2 in 1997 to 5.6 in 2013, although the increase in the ratio was still substantial (75%).

5.7 Similarly, there were large increases between 1997 and 2013 to the median house price to median earnings ratio. In Herefordshire, the ratio increased from 8.92 in 1997 to 6.72 in 2013, a 114% rise. The rise was less pronounced in Shropshire and Telford and Wrekin, rising by 77% and 79% to 7.32 and 5.59 respectively. Across England, the ratio rose by 90%, and was 6.72 in 2013.

Figure 5.2 House price to income ratios for the Marches and England, 1997-2013





Source: DCLG

Slow progress towards housing targets

5.8 The Marches LEP SEP sets out a target to deliver 70,000 new homes over a 20-year period up to 2031. This is based on the cumulative sum of the housing requirements contained within each respective Core Strategy for Herefordshire, Shropshire and Telford and Wrekin.

5.9 The progress towards these objectives for the three local authorities is reported in the respective Annual Monitoring Reports (AMRs) for each district. The performance of each local authority with respect to their housing target has varied.

5.10 The Herefordshire Core Strategy[14] sets out a target to provide a minimum of 16,500 new homes between 2011 and 2031 (Policy SS2). The latest AMR[15] (2014) figures suggest that the district is struggling to meet the target based on current progress. In the report 2011-16, the Council aimed to provide 3,000 new homes (600 units per year). Progress so far has been limited: between 2011 and 2014, the Council failed to achieve the target of 600 homes per annum in each of the three years. Over this period, 874 new homes have been delivered, an average of 291 homes per year.

5.11 Shropshire Council has made good progress against a target of approximately 27,500 new homes to be completed between 2006 and 2026 set out in the Core Strategy[16] (Policy CS1). The Council's latest AMR[17] (2013-14, 2014-15) reports that around 9,500 net additional dwellings (35% of target) have been completed between 2006 and 2015. The provision of new housing has fluctuated over this time period, reflecting the prevailing economic conditions, but has increased steadily since 2011-12. In 2014-15, 1,155 net additional dwellings were completed across Shropshire, and between 2011 and 2015, 3,805 net homes were delivered.

5.12 An updated Telford and Wrekin Local Plan[18] covering 2011-2031 has been published as a Publication Version and is currently undergoing public consultation. The document sets out a target for 26,500 net new dwellings to be delivered up to 2031 (Policy HO1). This equates to around 780 net additional homes per year. According to the Telford and Wrekin AMR (2015)[19], new housing provision in the district has increased substantially since 2011 compared with earlier years. Between 2011 and 2015, 3,243 homes were completed, including 1,070 in 2014/15, an average of 810 dwellings per year.

5.13 This information suggests that the LEP is not currently on track to deliver 70,000 homes across the Marches between 2011 and 2031. In total, 7,920 homes have been completed between 2011 and 2015, although this does not include the figures for 2014/15 for Shropshire, as the Council is yet to publish its latest AMR. This number of completed homes represents 11% of the LEP's target. Based on an average of 1,500 new homes required on average per year to meet the LEP's target, the current total suggests a shortfall of 6,080 homes against target.

[14] Herefordshire Local Plan Core Strategy 2011-2031, Pre-Submission Publication, Herefordshire Council, May 2014.

[15] Herefordshire Council Monitoring Report 2013-2014, Herefordshire Council, December 2014.

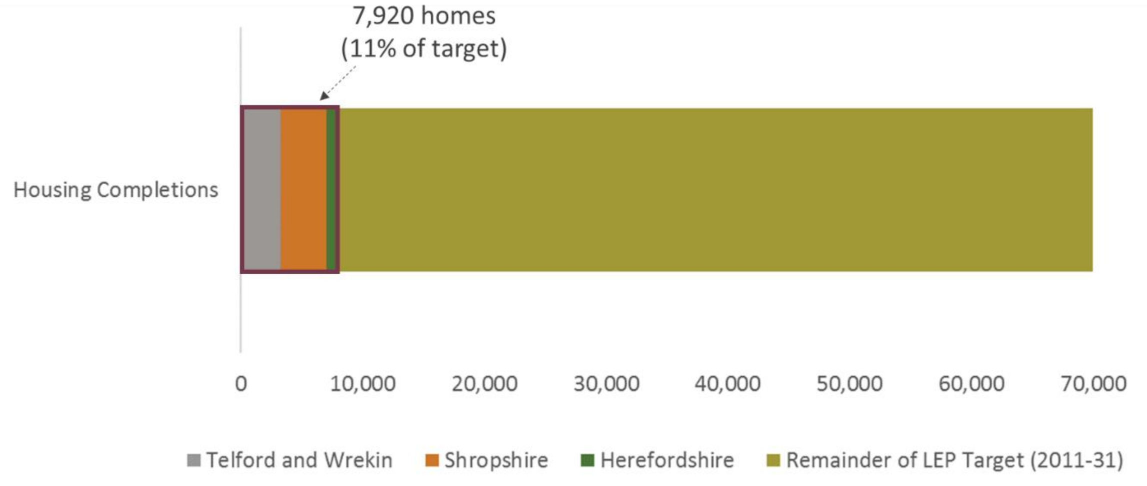
[16] Shropshire Local Development Framework: Adopted Core Strategy, Shropshire Council, March 2011.

[17] Shropshire Council Authority's Monitoring Report (AMR) 2013-14 and 2014-15, Shropshire Council, November 2015.

[18] Telford and Wrekin Local Plan 2011-2031, Publication Version, Telford and Wrekin Council, January 2016.

[19] Telford and Wrekin Annual Monitoring Report 2015, Telford and Wrekin Council.

Figure 5.3 Net Housing Completions across the Marches (2011-15)



Source: Core Strategy and AMRs for Herefordshire, Shropshire and Telford and Wrekin Councils

5.14 Although the current outlook suggests that housing is far behind the level required to meet the LEP's target, housing completions are expected to increase across the Marches:

- The number of houses built in Herefordshire is expected to increase in each five-year period up until 2031. The Herefordshire Core Strategy states that the number of homes built in Herefordshire is expected to increase from 3,000 between 2011 and 2016 to 4,250 homes between 2016 and 2021. 4,500 homes are expected between 2021 and 2026, and the document projects that 4,750 homes will be built between 2026 and 2031.
- The Telford and Wrekin AMR 2014[20] reports that over 9,000 dwellings with planning permission have not yet started (para 2.1.3). The 2015 AMR reports that net housing completions in 2015/16 are expected to be higher than in 2014/15, and 968 dwellings were under construction as of April 2015 (para 2.1.3).
- The number of housing completions in Shropshire is expected to increase to a minimum 1,500 dwellings per annum from 2017/18 onwards, according to the AMR (page 30). This should be treated with some caution, however, as the Council has yet to meet previous targets.

Sites and Premises

5.15 The National Planning Policy Framework includes directives that are particularly relevant to business investment and employment land:

- "Investment in business should not be over-burdened by the combined requirements of planning policy expectations. Planning policies should recognise and seek to address potential barriers to investment, including a poor environment or any lack of infrastructure, services or housing. In drawing up Local Plans, local planning authorities should:
  - set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;

[20] Telford and Wrekin Annual Monitoring Report 2014, Telford and Wrekin Council.

- set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period
- support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances
- plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries."

5.16 This section considers the Employment Land Reviews (ELRs) and Annual Monitoring Reports (AMRs) for each of the three respective districts in the Marches.

Shropshire

5.17 Under Policy CS14, the Shropshire Core Strategy[16] sets a target for the district to develop 290 ha of land for employment uses between 2006 and 2026. This equates to an average of 14.5 ha per annum. The Strategy states that between 2006 and 2009, 44.4 ha of employment land was delivered (23.49 ha in Shrewsbury), and committed development as of April 2009 could deliver up to 132.8 ha of land (page 97). New provision must therefore deliver at least an additional 113 ha of land up to 2026.

5.18 The latest Shropshire AMR[17] (2014-15) reports that 67 ha of employment land has been completed between 2006 and 2013. This represents 23% of the total employment land the Council must develop to meet the target. Based on an average requirement of 14.5 ha per year, the Council is currently behind its target, and the shortfall as of 2013 was 34.5 ha (page 40).

5.19 The Shropshire AMR states that 73 and 167 ha of land is classified as committed sites and allocated sites respectively between 2013 and 2018.

Herefordshire

5.20 The Herefordshire Core Strategy[14] states that 148 ha of employment land should be provided between 2011 and 2031 (Policy SS5), an annual average of 7.4 ha of employment land.

5.21 The AMR states that 6.16 ha of employment completions took place in 2013/14, an increase on employment completions in 2012/13 (2.3 ha). No data is provided in the Council's AMRs for completions in 2011/12.

5.22 The completions data contained in the AMRs implies the Council will struggle to meet its target, with only 9.7 ha of employment land developed (6% of the target). If development was in line with the average required to meet the target, 22.2 ha of land would have been developed, implying that current progress constitutes a shortfall of 12.5 ha.

Telford and Wrekin

5.23 The Telford and Wrekin AMR reports that there was 117.2 ha of land available for new build employment development as of April 2015. This mostly consisted of employment land in Telford (96.2 ha), of which 48 ha was office floorspace. This represented a large reduction of land available compared with April 2014, when there was 252.9 ha available across the Borough.

5.24 The Telford and Wrekin Local Plan Publication Version[18] (Policy EC1) states that 76 ha of employment land will be required between 2011 and 2031. Employment floorspace completions in Telford and Wrekin has been relatively modest, although the data is presented in net terms. Between 2012 and 2015 (data is unavailable for 2011 to 2012), a net total of approximately 4.62 ha of employment floorspace was completed. This included a small net reduction of around 0.11 ha in 2012-13.

5.25 This data suggests that the local authorities in the Marches have made limited progress in achieving their respective employment land target:

- The cumulative sum of the employment land requirements within each of the three Core Strategies is 514 ha.
- So far, 16% of the employment land developed has been met.
- The local authority with the most land development was Shropshire (67 ha), although this measures employment land developed from 2006 to cover the district's Core Strategy lifespan (2006-26).

5.26 Despite the apparent lack of significant progress, it should be noted that it is difficult to understand fully the scale of this progress given the floorspace completions are measured in net terms.

Table 5.2 Employment Land Development in the Marches

Local Authority	Core Strategy target	Employment Land Developed	% of Core Strategy target
Herefordshire	148 ha	9.7 ha (2012-14)	6%
Shropshire	290 ha	67 ha (2006-13)	23%
Telford and Wrekin	76 ha	4.62 ha (2012-15)	6%
Total	514 ha	81.32 ha	16%

Source: Herefordshire, Shropshire and Telford and Wrekin AMRs. Employed Land Developed figure for Telford and Wrekin is expressed in net terms.

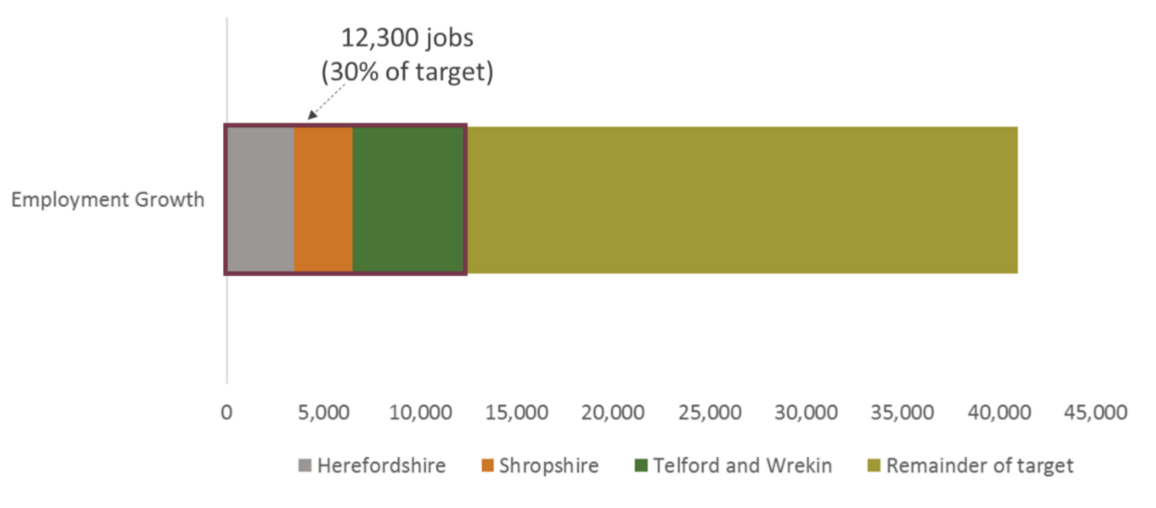
5.27 The Strategic Economic Plan establishes a jobs target of 41,000 to be achieved between 2011-2031. This is derived on the basis of planned sites being developed across the sub-region. These employment figures have been calculated by applying the relevant employment densities to each site, although these calculations have not been provided.

5.28 The Business Register and Employment Survey data shows that between 2011 and 2014, the number of jobs has risen across the Marches by 12,300. Across the three local authorities, employment has been highest in Telford and Wrekin. Over the three year-period, the number of jobs in the district has grown by 5,800 (+7%), compared with growth of 3,500 (+5%) and 3,000 (+3%) in Herefordshire and Shropshire respectively.

5.29 This is a measurement of employment growth across the sub-region as a whole, and it has not been possible to obtain employment figures for the number of jobs created at the assigned employment sites.

5.30 The data shows that the employment growth represents 30% of the employment target, and the current performance suggests that, based on this assessment (and a continuation of recent trends) the LEP will exceed this target by 2031. Based on the assumption that the economy will grow on average of 2,000 jobs per year, the LEP is currently 8,200 ahead of schedule.

Figure 5.4 Employment Changes in the Marches (2011-15)



Source: Business Register and Employment Survey

Transport

5.31 The West Midlands Strategic Transport Plan[21] sets out the challenges facing the region, and the role that transport can play across the area to alleviate these weaknesses. These include:

- **Economic growth and economic inclusion**: Better transport provision will catalyse economic growth by widening labour markets, unlocking sites for development, providing residents with access to skills, education and training, and providing attractive centres for business location.
- **Population growth and housing development**: The region's population is expected to grow by 440,000 people by 2035. Transport improvements should be implemented to allow suitable sites to be developed, and also consider the requirements of an ageing population.
- **Public health and social well-being**: Transport investment is required in deprived areas to allow greater access to fresh food retail outlets to tackle obesity challenges, and to encourage positive mental health and reduced social isolation. Linked to this, transport should improve the quality of life for people "not involved in the world of work". This includes transport provision that ensures better access to public services and shops.

5.32 In light of these challenges, the Strategic Transport Plan sets out nine objectives. These include:

- **ECON1**: To support growth in wealth creation (GVA) and employment (jobs) in the West Midlands Metropolitan Area, as a prized national economic asset.
- **ECON2**: To support improved levels of economic well-being for people with low incomes in the West Midlands Metropolitan Area to help make it a successful, inclusive, European city region economy.
- **POP1**: To help meet future housing needs, by supporting new housing development in locations deemed appropriate by local planning authorities, following their consideration of sustainable development criteria.

[21] Movement for Growth: The West Midlands Strategic Transport Plan, West Midlands Integrated Transport Authority, Approved December 2015.

- **PUBH3**: To assist with the reduction of health inequalities in the West Midlands Metropolitan Area.
- **SOC1:** To improve the well-being of socially excluded people.

5.33 In order to meet these objectives, the West Midlands Integrated Transport Authority will implement some of the following measures:

- Transport improvements to unlock development and help businesses grow, including limited new highway capacity and more attractive centre environments
- New transport capacity to meet new travel demand – very much based on additional public transport capacity (rail and rapid transit, integrated with bus), cycling infrastructure and key walking routes.
- Better integration of transport through a smart mobility approach with public transport, car clubs, park and ride, cycle hire and use of powered two wheelers (motorbikes and mopeds.

5.34 The Midlands Connect Programme strategy[22], developed jointly by the Midlands Connect Partnership and the Department for Transport, reinforces the messages of the West Midlands Strategic Transport Plan. The strategic priorities for transport connectivity are:

- Making the most of HS2 – 'HS2 ready'
- Linking to international gateways
- Improving East-West connectivity across the Midlands
- Strengthening freight corridors
- Making the strategic transport network more resilient
- Opening up land for commercial and residential development
- Connecting urban centres providing capacity for growth.

5.35 The document acknowledges the importance of transport in stimulating economic growth by:

- Unlocking sites for residential and commercial development
- Connecting these to our cities and to our strategic transport network
- Supporting our academic and training institutions in partnership with businesses to increase skill levels and employment opportunities
- Strengthening connections between our residents and jobs, and between businesses both in the Midlands and the rest of the country.

5.36 The Investing in Strategic Transport Corridors in the Marches report[23] highlights the need for an integrated and resilient transport network (both physical infrastructure and services) to develop the economy, and ensure it is fit for purpose to meet the needs of people who choose to visit, live and work in the Marches, and meet the needs of business enterprises.

5.37 The report identifies two major strengths of the transport provision across the Marches:

[22] Midlands Connect: How better connectivity will maximise growth for the Midlands and the nation, Midlands Connect Partnership.

[23] Marches LEP, May 2016, Investing in Strategic Transport Corridors in The Marches

- The north to south spine of the main A49 / Marches Railway Line is complemented by a number of east – west corridors; and
- Road and rail links with other economic regions – the Midlands, North West England, South West England, and Wales.

5.38 Despite this, the report acknowledges areas of weaknesses:

- West of the M50 and M54, a mainly single carriageway road network contributes to increased congestion and slow journey times resulting in a lack of efficient and reliable service for local movements and long distance strategic traffic travelling between different regions and to/from international gateways.
- Traffic congestion in the major urban centres of Hereford, Shrewsbury and Telford, and a number of development sites have stalled because of poor transport accessibility
- Poor transport links in rural areas affecting the ability of people without a car to access education, training and, in particular, jobs
- The lack of regular rail links to London and the South East. Current transport is diverted via Wolverhampton or Birmingham, adding to journey times. This is considered a major hindrance to business and to the visitor economy.

5.39 The document acknowledges the need to focus on the transport needs of the priority economic sectors, and to particularly prioritise freight transport (page 3). Building on good transport links with neighbouring LEP areas, the *Investing in Strategic Transport Corridors* report proposes investing in Strategic Transport Corridors (STCs) to connect the principal settlements of the Marches with neighbouring regions and the rest of the UK. This would ensure that businesses in priority sectors are able to collaborate with supply chains and reach their customers.

5.40 There are four proposed Strategic Transport Corridors:

- North South Spine (NSS)
- East West Central (EWC)
- Wales & Marches to Midland (WMM)
- North West Frontier (NWF)

5.41 Investment in the North-South Spine and East-West Central corridors are the two highest priorities as they:

- have the highest level of travel demand, particularly within and around the three urban centres and between North and South Wales
- exhibit the highest levels of significant problems and traffic congestion
- connect with the most important and populous adjacent economic regions
- deliver greater economic integration within the Marches by connecting the three urban centres, enabling housing development and in priority sector job creation.

5.42 The focus on improving road networks is justified by feedback from the Marches LEP Business Survey 2016. 35% of survey respondents cited the adequacy of transport infrastructure as a barrier to future business growth and, of these, 40% specifically referenced road networks as a challenge to business performance.

Accessibility

5.43 There is a lack of data about the accessibility of public services at a local level. This restricts the scope for assessing the adequacy of transport and the ease of access throughout the Marches.

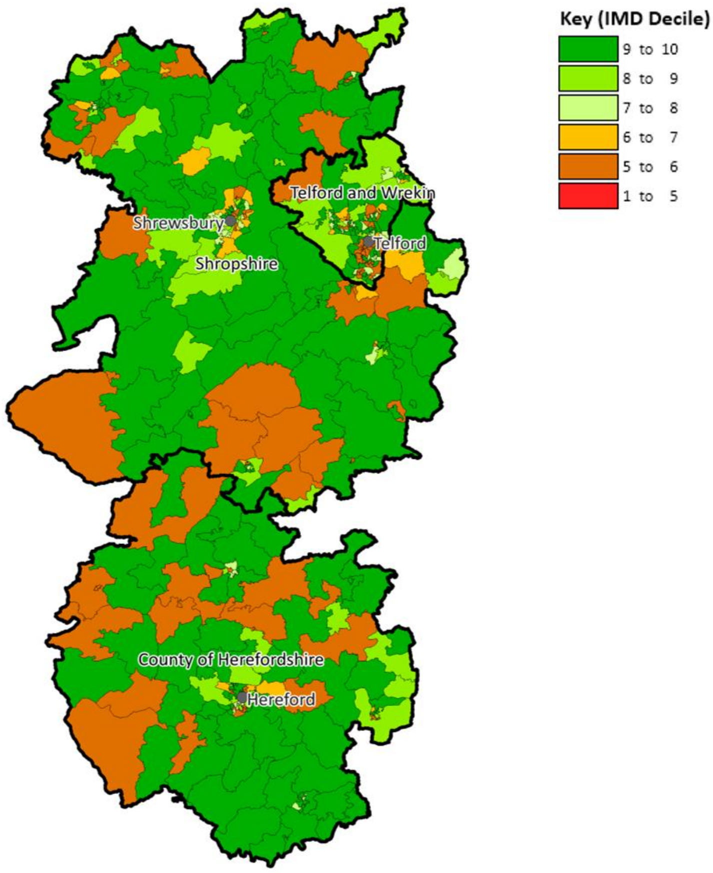
5.44 The Index of Multiple Deprivation (2015) does, however, provide some indication of the level of public service provision across the LEP area. The IMD includes a ranking of the geographical barriers to public services, and is the score is measured based on the average road distance to the closest of the following services:

- Primary school
- GP Surgery
- Post office
- General store or supermarket.

5.45 Generally, deprivation levels across the Marches sub-region are relatively low. No LSOA is among the 50% most deprived LSOAs, and most LSOAs fall in the tenth decline (the least deprived LSOAs).

5.46 Overall, one fifth of the Marches population lives in the 50% most deprived LSOAs rank in the fifth IMD decile. Of the 88 LSOAs ranked in the fifth decile, 33 (38%) are in Shropshire, and 30 (34%) and 25 (28%) are in Telford and Wrekin and Herefordshire respectively.

Figure 5.5 Geographical Barriers to Services in the Marches (where 1 is 10% most deprived LSOAs)



Source: ONS

5.47 Policy documents acknowledge that the car will remain residents' principal mode of transport, particularly in rural areas. This is reinforced by car ownership rates research conducted by the RAC Commission[24]. According to the data, Herefordshire ranked 70th out of 326 local authorities with 610 cars per 1000 people in 2011. This represented an increase of 9% compared with 2001. Shropshire ranked 81st out of 326 local authorities with 604 cars per 1000 people in 2011, a 54.9% increase compared with the 2001 Census. In Telford and Wrekin, car ownership rates were far smaller, and there were 508 cars per 1000 people, a 7% increase since 2011. The local authority ranked 214th for car ownership rates.

5.48 The higher car ownership rates partly reflect the rural nature of Herefordshire and Shropshire, where public transport links are more limited. By contrast, urban areas of Telford have better public transport.

Public transport

5.49 Despite rural residents' reliance on car use, local transport documents recognise the importance of public transport to ensure public services and amenities are accessible in rural areas.

5.50 Both the Herefordshire[25] and Shropshire[26] Local Transport Plans (LTP) draw attention to the difficulties associated with efficiently operating a bus network in some rural and/or sparsely populated locations.

5.51 The Shropshire LTP states that 4% of the district's residents travel to work via train or bus, which is far below the proportion in other rural areas (page 12). This reflects the lack of coverage of public transport, particularly in the most rural areas. The shortage of public transport not only limits access to public services, but also reduces employment opportunities. The Plan states that the lack of public transport in evenings and weekends across Shropshire restricts access to shift work (page 15).

5.52 Not only is public transport short in supply in Shropshire, but it appears lacking in quality. The LTP reports that, for those secondary and college students that do use the available public transport, satisfaction is low (page 13). Similarly, feedback from consultations with businesses suggests that existing provision is failing to meet the needs of employers and workers.

5.53 These same challenges are identified in the Telford and Wrekin LTP[27]. The document recognises that transport needs to be punctual, convenient and affordable, and the Plan sets out improving the image of public transport as a main priority. As in the case of the two other local authorities, the challenge of operating transport in rural areas features prominently.

5.54 Improvements to rail services across the Marches also feature in the LTPs, although these are not mentioned as prominent challenges within the LEP area. The Shropshire LTP states that the Council would support:

- Line speed improvements on the Wolverhampton to Shrewsbury and Chester to Shrewsbury line
- The electrification of the Wolverhampton to Shrewsbury Line.

[24] Car ownership rates per local authority in England and Wales, RAC Commission, December 2012. http://www.racfoundation.org/assets/rac_foundation/content/downloadables/car%20ownership%20rates%20by%20local%20authority%20-%20december%202012.pdf. Accessed: February 2016.

[25] Herefordshire Council Local Transport Plan 2016-2031 Strategy Consultation Draft, Herefordshire Council.

[26] Shropshire Local Transport Plan Provision LTP Strategy 2011-2026, Shropshire Council, March 2011.

[27] Telford and Wrekin Local Transport Plan 2011-2026, Telford and Wrekin Council.

5.55 Similarly, the Telford and Wrekin LTP states that the Council will work with key partners to bring forward the following proposals:

- Electrification and upgrade of the Shrewsbury to Birmingham line
- Assessment of the potential for the re-opening of the former Wellington-Stafford and Madeley Junction to Coalbrookdale rail lines.

5.56 The Investing in Strategic Transport Corridors in the Marches report identified the following rail projects as projects for further development/LEP support:

- Marches Railway Line Service Enhancements
- Shrewsbury to Wolverhampton Electrification and Line Speed Improvements

  Additional passenger rail service per hour between Wrexham and Chester.

Broadband and Mobile Connectivity

The case for digital – policy context

5.57 The government maintains strong ambitions for the country's digital infrastructure and broadband connectivity, which is set out in a national strategy defining key targets and actions, which mirror wider goals for the EU. Since 2012, the three local authorities across the Marches LEP have made considerable progress, particularly in terms of extending next generation connectivity to areas of market failure, alongside encouraging take-up and benefits realisation. Yet, considerable challenges remain as residual series of increasingly rural and costly locations still do not have access to high speed broadband. Plans are being developed to go extend coverage, build a more dynamic supplier marketplace and drive up exploitation among businesses.

5.58 Moving forward, interventions will be informed by the following policy drivers:

- The Government's Digital Strategy, published in 2013 sets out a number of targets and ambitions and informs its interactions with LEPs and local authorities. Its primary target is to achieve 95% superfast broadband (SFBB) coverage by 2017[28], with all homes and businesses having access to speeds of at least 2 Mbps.
- The Digital Strategy also introduced a recognition that mobile connectivity is increasingly driving innovation and application. Radio spectrum and licences should be managed as national assets, in order to contribute towards the closing of the digital divide.
- The EU's Digital 2020 agenda sets a series of stretching ambitions for all member states. This includes the whole of the EU having access to speeds of 30 Mbps by 2020 and 50% connecting at 100 Mbps or higher. It also seeks to drive change in the way business and government adopts technology, in order to drive better returns and efficiencies.
- Ofcom is currently looking at the potential for significant regulatory change to increase market competition and remove barriers to investment under-pinned by a Universal Service Obligation making access to speeds of 10 Mbps a legal requirement.
- The government is currently undertaking a Digital Strategy consultation which suggests a shift towards the use of policy and regulation rather than capital investment. This also seeks to better harness the capacity of the private sector to deliver in rural areas.

[28] Please note that this is a national average target, thus there will be local fluctuations in SFBB coverage depending on the geography and the associated commercial challenges.

- An increasing number of third party reviews and publications, seeking to inform the future digital strategy and investment are relevant. Examples include reports published by the Confederation of British Industry[29], Federation of Small Businesses[30] and the British Infrastructure Group[31].
- Government and local acknowledgment that tailored and proactive policies are needed to secure the best quality broadband at new residential and commercial developments.
- The use of benchmarking to monitor progress and performance. Ofcom's scorecards[32] are increasingly used to track relative performance against European neighbours and global competitors in the 'race for digital'.

5.59 In light of the context described above, Ofcom data from 2015 offers a mixed outlook for broadband and mobile connectivity across the Marches. This is illustrated in Tables 5.3 and 5.4[33].

[29] Let's Get Digital - Harnessing the commercial potential of digital infrastructure in the UK, 2013

[30] The fourth utility: Delivering universal broadband connectivity for small businesses across the UK, 2013

[31] 'Broadband' – A new study into broadband investment and the role of BT and Openreach, 2016

[32] The European Broadband Scorecard, 2015

[33] Please note this uses data from May/June 2015, which is likely to be superseded by local intelligence. It remains a useful indicator of relative progress and ranking, when comparing with the rest of the UK.

Marches Broadband Snapshot

Table 5.3 Percentage & Speed Figures

	SFBB[34] Availability (premises) by Local Authority	UFBB[35] Availability (premises) by Local Authority	Median download speed (Mbit/s) by Local Authority	4G No Reliable Coverage (Percentage Land Mass)	4G Signal from One Operator Coverage (Percentage Land Mass)	Percentage Users of Internet in Last 3 Months (ONS)
County of Herefordshire	49%	13%	8	87%	11%	85%
Shropshire	60%	7%	9.4	59%	35%	80%
Telford and Wrekin	85%	0%	20	9%	51%	87%
Cumbria County	71%	1%	8.8	70%	29%	87%
Gloucestershire County	67%	2%	13.5	31%	26%	91%
Norfolk County	72%	0%	12.5	75%	18%	85%
Suffolk County	77%	1%	13.7	57%	20%	84%
Worcestershire County	80%	0%	11.8	25%	36%	88%
Marches Average	65%	7%	12	51%	32%	84%
UK Average	78%	3%	16	29%	17%	86%
UK Median	83%	1%	16.2	15%	14%	

Sources: Ofcom Connected Nations 2015 & ONS Internet Survey Q1 2015

[34] Percentage of premises in each local authority that has Superfast Broadband (greater than 30 Mbit/s and less than 300Mbit/s) coverage.

[35] Percentage of premises in each local authority that has Ultrafast Broadband (greater than 300 Mbit/s) coverage.

Table 5.4 Percent Ranks of Figures

Percent ranks (0% is bottom, 100% is top of UK Local Authorities)	SFBB Availability (premises) by Local Authority	UFBB Availability (premises) by Local Authority	Median download speed (Mbit/s) by Local Authority	4G No Reliable Coverage (Percentage Land Mass)	4G Signal from One Operator Coverage (Percentage Land Mass)	Percentage Users of Internet in Last 3 Months
County of Herefordshire	3%	97%	0%	93%	44%	35%
Shropshire	6%	94%	1%	78%	87%	11%
Telford and Wrekin	28%	0%	72%	44%	95%	68%
Cumbria County	7%	74%	1%	82%	82%	56%
Gloucestershire County	6%	86%	17%	68%	78%	91%
Norfolk County	7%	0%	9%	83%	60%	41%
Suffolk County	9%	74%	20%	77%	67%	30%
Worcestershire County	16%	0%	5%	61%	88%	73%
Marches Average	6%	94%	8%	76%	84%	32%

Sources: Ofcom Connected Nations Report 2015 & ONS Internet Survey Q1 2015

Fixed broadband connectivity

5.60 According to Ofcom data[36], 83% of properties in the UK can access SFBB. In rural areas, SFBB is far less common and is available in 36% of premises. This is reflective of the evidence of market failure and the significant investments being made to enhance coverage in locations where there is no commercial intent.

5.61 Within the LEP area, Table 5.3 illustrates that SFBB availability is highest in Telford and Wrekin (85%), whilst being considerably lower in Shropshire (60%) and Herefordshire (49%). This is unsurprising, given the rural nature of the latter two local authorities. The cumulative effect across the LEP presumes an average SFBB coverage figure of 65%, which compares unfavourably with other counties/LEPs with similar geographical characteristics, such as Cumbria (71%), Norfolk (72%), Suffolk (77%) and Worcestershire (80%).

5.62 Further evidence of Next Generation Access connectivity is provided in table 5.3. Firstly, this demonstrates that the Marches LEP has ultrafast broadband (UFBB) coverage of 7%[37], which is considerably higher than the UK average (1%) and driven largely by the higher incidence of capable technologies in Herefordshire (13%) and is likely linked to the greater emphasis on Fibre to the Premises deployed by BT under the recent programme of BDUK sponsored investments. As one would expect, the recorded median speeds reflect the varying levels of SFBB and UFBB access.

5.63 Telford and Wrekin fares relatively well, but the percentage of premises that receive speeds below 10Mbit/s is relatively high in Herefordshire and Shropshire. In 2015, 28% of premises in Herefordshire and 21% of premises in Shropshire received speeds of less than 10Mbit/s compared with 11% across England. By comparison, the proportion of premises in Cumbria and Gloucestershire that received speeds less than 10Mbit/s was 20% and 16% respectively, while Worcestershire performed well, and only 10% of premises were received speeds less than 10Mbit/S.

5.64 Table 5.4 provides an alternative interpretation of connectivity and broadband access, using a percentrank methodology. Of note here is the impact of UFBB capable technologies in some of the most rural counties, such as Herefordshire (97%), Gloucestershire (86%) and Shropshire (94%), which causes a high ranking, despite the lower overall SFBB scores. As a result, the Marches LEP scores highly on UFBB broadband connectivity (94%), in comparison to Cumbria (74%) and Suffolk (74%). Telford's lower ranking on UFBB reflects the more urban nature of the area which means it is better able to secure faster speeds from lower spec technologies such as Fibre to the Cabinet.

5.65 The data presented here is simply a snapshot and local broadband projects within the LEP will each have more up-to-date data on speed and coverage which better reflects the dynamic and rapid progress being made by local broadband (extension) contracts. The data in Table 5.5 is drawn from a less transparent and consistent dataset, but more closely reflects the local projects' assessment of local, current speed/coverage.

5.66 Table 5.5 presents a more positive overall picture of coverage but reflects similar pattern to the Ofcom data ie the Marches LEP lags behind the national picture for SFBB access, with 74.2% coverage (24 Mbps or greater), 73.2% (30 Mbps or greater) and 27.7% UFBB coverage (100 Mbps or greater), versus the national figures of 89.3%, 88.6% and 49.8%, respectively. The data also articulates the same differences between local authority areas, with Herefordshire recording the lowest levels of SFBB/UFBB coverage.

[36] Ofcom Connected Nations Report 2015

[37] Note, this applies the Ofcom definition of 300 Mbps or more.

Table 5.5 Alternative broadband coverage data

Area	Superfast (24 Mbps +)	Superfast (30 Mbps +)	Ultrafast (100 Mbps +)	Below 2 Mbps (USC)
Gloucestershire	80.6%	79.7%	40.8%	0.8%
Herefordshire	61.6%	60.2%	0.8%	2.3%
Shropshire	72%	70.7%	5%	2.9%
Telford & Wrekin	89.1%	88.7%	77.3%	0.4%
Marches LEP	75.8%	74.8%	31%	1.6%
UK	89.3%	88.6%	49.8%	0.8%

Source: Thinkbroadband, February 2015

Mobile connectivity

5.67 Tables 5.3 and 5.4 present a rather muted picture for mobile connectivity within the LEP area[38]. Mobile devices are increasingly vital tools for internet access and particularly in more remote, rural areas where the costs of fixed infrastructure can be prohibitive. Within the UK, 4G is rapidly becoming the accepted technology, capable of superfast speeds, although deployment has not surprisingly initially focused on more dense urban areas.

5.68 The Marches area scores poorly on 4G mobile access, with large areas unable to connect (51%), compared to the UK average (29%). Telford, not surprisingly is better served with only 9% of the area not covered. Overall, the Marches LEP actually has better 4G access than other comparative areas, with Norfolk (83%) and Suffolk (77%) both lagging behind. The data in Table 5.4 also exposes the commercial investment challenge within the Marches LEP area, which is highly reliant a single supplier for 4G coverage (84%).

5.69 Older mobile technologies, such as 3G and 2G, continue to play an important role in providing voice and data connectivity. These technologies are more widely available but not by no means universally available. Telford (96%) and Gloucestershire (83%) offer good 3G coverage (all providers), but Herefordshire (55%) and Shropshire (56%) fair much worse.

Take-up and adoption

5.70 Ofcom figures provide an insight into take-up at different speed levels within the LEP area. This data focuses on achieved connection speeds, which can be used as a proxy for take-up by comparing against the overall number of connections.

Table 5.6 Broadband Connection Rates by Line Speed (% Number of Lines by Line Speed)

	< 2 Mbit/s	2-5 Mbit/s	5-10 Mbit/s	10-30 Mbit/s	> 30 Mbit/s	> 300 Mbit/s
Marches LEP	7	15	24	27	27	0
UK	5	11	21	29	35	0

Sources: Ofcom Connected Nations Report 2015

[38] Note that mobile coverage figures should be treated cautiously, due to the quality of data and caveats applied by providers.

5.71 Table 5.6 broadly shows that broadband connections in the Marches LEP area are skewed towards lower speed brackets compared to the rest of the country. Although this largely reflects the availability of SFBB, it may also suggest that demand for superfast speeds is lower in the LEP area, despite availability.

5.72 In addition, data is released at regular intervals by government which shows uptake of SFBB under publically-funded interventions[39]. This reveals that relevant local projects in the LEP area are achieving good levels of take-up, no doubt influenced by demand stimulation campaigns. Based on September 2015 data, SFBB take-up rates were 16.7% in Herefordshire and 18.5% in Shropshire. By contrast, data published at the end of 2014 suggests the national average SFBB take-up was 30%. It should be noted that this figure is includes operators' commercial rollouts which have been in operation for a longer period, hence uptakes rates are more mature.

5.73 It should be noted that local broadband projects within the LEP will have more up-to-date data on take-up, which reflects the dynamic and rapid progress being made through the delivery of local broadband extension contracts.

Investment and priorities within the Marches LEP

5.74 Across the country, the government and private sector are co-investing with local authorities and LEPs in next generation broadband infrastructure. The Marches LEP is no different, with three broadband projects tackling the issue of broadband connectivity.

5.75 The Marches LEP Business Survey 2016 provides further justification for investing in broadband and mobile connectivity across the sub-region: 43% of survey respondents identified the adequacy of digital communications as a barrier to business growth. Of this cohort, 51% reported the access to and speed of broadband as a major challenge, and 48% stated that mobile coverage was a barrier to growth.

5.76 Table 5.7 provides a short summary of the activity within each of these projects, alongside their respective priorities.

[39] The Department for Culture Media and Sport (DCMS) releases quarterly data in arrears, as part of a Freedom of Information request.

Table 5.7 Marches LEP broadband activity

Project	Current activity	Future activity	Priorities
Fastershire (Herefordshire and Gloucestershire)	• Delivery of phase 1 BT contract now well advanced. • Gigaclear contract signed to cover Cotswold geographies. • Demand stimulation programme ongoing. • Continuing to engage with the marketplace.	• No plans to extend BT contract or pursue 'gainshare'. • Five procurement 'lots' to be allocated to suppliers. • Will seek to explore clawback opportunities from BT contract. • EAFRD/ERDF bids expected, focus on not-spots and SMEs.	• Focus on superfast for all, not ultrafast. • Technology agnostic, keen to test the market, beyond BT. • Uptake very important; want to maximise benefits and returns. • Likely to look at bespoke grants for businesses/SMEs.
Connecting Shropshire (Shropshire)	• Complete delivery of Phase 1 contract, commence Phase 2 rollout. • Early access to 'gainshare' discussion underway with BT. • Focus on demand stimulation and maximising uptake.	• Unallocated funding may lead to further procurements to support outstanding not-spots. • Investigating other funding options (Local Growth Fund etc). • Market engagement and assessing capacity to deliver.	• Focus on superfast for all, not ultrafast. • Maximising take-up absolutely key to yielding local business benefits. • Keen to further explore broadband provision on new developments.
Superfast Telford (Telford and Wrekin)	• Have signed and now delivering first BT contract (didn't participate in Phase 1). • Already in dialogue with developers/planners and providers regarding new sites.	• Early days but will be keen to explore 'gainshare' opportunities and other clawback. • Devising a strategy for remaining unserved premises, including market engagement.	• Securing maximum coverage from BT contract arrangements. • Ultrafast connectivity on priority business park sites. • Continuing to support expected growth and housing expansion.

Source: Intelligence and commentary from local authority broadband Project Leads

5.77 There is considerable alignment between some aspects of these projects. All accept that there is a need to look beyond building on the established telephone/copper network to resolve the challenges presented in more challenging and rural locations. All projects also recognise that funding is likely to be increasingly scarce and European monies (such as EAFRD and ERDF) are to be needed, despite the accompanying administrative and bureaucratic challenges.

5.78 There is a collective desire to see demand stimulation and utilisation benefit activity continue, so as to maximise the returns to the local economy. It is felt that this is increasingly best led by the local Growth Hubs as part of its wider package of business support, or indeed, by relevant suppliers already in the marketplace, should capacity exist. This being said, there is an appetite to retain and make best use of broadband project brands, as these have a strong association with local delivery.

6. Labour Force & Skills Position

This section of the report considers the characteristics of the labour force and their skills against the future drivers of change. Important points include:

- Significant reform is underway in the skills arena with strong policy support for growth in apprenticeships and providing a more demand-led response to meeting employer needs through education and training including the development of specialist centres of expertise.
- Demographic challenges include a below average working age population and this position is anticipated to worsen in the future, resulting in a shrinking pool of labour for employers and investors to draw upon. The ageing of the population is also generating demand for skills in sectors serving the needs of this cohort such as health care.
- The Marches labour market is characterised by strong performance on indicators such as economic activity, employment and unemployment. However, pockets of unemployment, benefit dependency and economic inactivity are apparent and the above average proportion of those who are inactive who want a job suggests that there are barriers to participation. Youth unemployment and the incidence of those young people not in education, employment or training (NEET) is a challenge in some areas.
- The below average representation of higher level occupations and higher level skills is contributing to the productivity challenge in the Marches. Higher level occupations and qualifications are set to grow in the future and there is a need for a step change to ensure that the Marches can meet business needs. The education and training system needs to be responsive to these trends to ensure it can effectively support this transition.
- The Marches Business Views Survey highlighted the incidence of technical, practical or job specific skill shortages and a relative lack of appropriately qualified workers. Hard to fill vacancies and skill shortages were common. The majority of respondents participated in training but the reasons given for those who didn't participate included a lack of relevant training courses locally and a lack of money or resource.
- Recent changes to the funding of post-16 provision has had an impact on take-up of FE courses, particularly by those aged 19-23 for whom a co-funded model applies and suggests that a funding gap may exist for the individual. This gap is bridged by the introduction of 24+ loans for the 24+ cohort.
- The provision of traineeships is relatively small scale in the Marches and with a low success rate suggesting there is scope for improvement.
- Learner participation in apprenticeships is improving although the scope for improvement may be held back by below average employer participation in providing apprenticeships. The majority of apprenticeships are intermediate and advanced level, with only a minority of starts at higher levels, which reflects the national picture. Policy interventions are underway to stimulate the provision of higher level apprenticeships and the Marches needs to embrace these opportunities in key sectors for growth. The opportunity for growth in apprenticeships is particularly strong in the Marches key sectors of advanced manufacturing, health and social care, and professional services where the model of apprenticeships is well established.

- Participation in higher education has been relatively low across the Marches however this position is improving with recent investment in the local higher education offer. There is a degree of alignment between local HEIs and key sectors such as advanced manufacturing and agri-tech although there is considered to be scope for improvement particularly in relation to other key sectors. It is acknowledged that there is a more extensive HEI offer outside the sub-region which residents can draw upon. The evidence also suggests relatively low levels of HE-Business and Community interaction.

The Prevailing Policy Context for Skills Investment

6.1 The 2013 Strategy, **'Rigour and Responsiveness in Skills'** set out the former Coalition Government intentions for implementing reforms to the skills system. Important areas for intervention included:

- **Raising standards** through high quality teaching and learning.
- **Reforming Apprenticeships** in line with the Richards Review Implementation Plan.
- **Creating Traineeships** to facilitate transition into the workplace by young people. The Traineeship programme will provide a combination of a focused period of work preparation, a high quality work placement and training in English and maths.
- **Funding improving responsiveness** through government funding choices which incentivise quality improvements and ensuring responsiveness.

6.2 A recent publication by BIS, '*Reviewing post-16 Education and Training Institutions'*[40] highlighted the critical role played by the post-16 education sector in raising productivity and achieving economic growth. In addition to the expansion of the Apprenticeship programme (outlined overleaf), two major planks of reform are identified as critical to achieving the objectives set out in the Government's productivity plan, *'Fixing the Foundations – creating a more prosperous nation'.* These include:

- Clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers.
- Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements in the years ahead, building on the agreements with Greater Manchester, London and Sheffield.

6.3 The report recommended a national programme of **area-based reviews**. This points to a major reform of post-16 education and training, in a way which also addresses the significant financial pressures on institutions including a declining 16-19 population and the need to maintain very tight fiscal discipline in order to tackle the deficit[41]. The aim is a move towards fewer, larger, more resilient and efficient providers and more collaboration across institution types. It involves greater specialisation, creating institutions that offer centres of expertise, able to support progression up to a high level in professional and technical disciplines, at the same time as supporting institutions that support excellence in fundamental areas such as English and Maths.

[40] Published 20th July 2015

[41] BIS, Reviewing post-16 education and training institutions, July 2015, P.3

6.4 The Marches is part of the second wave of area-based reviews and held the first steering group meeting in January 2016. Each review starts by assessing the economic and educational needs of the area and the implication for post-16 education and training provision including school sixth forms, sixth form colleges, further education colleges and independent providers. The reviews then focus on the current structure of further education and sixth form colleges.

6.5 Apprenticeships provide a mechanism for delivering economic growth aspirations. They have a role to play in providing a skilled workforce; meeting skill shortages and gaps; and encouraging growth in higher level skills. Furthermore, they provide a vehicle for supporting social mobility through vocational pathways, enabling progression from craft to technician, to professional and managerial job roles.

6.6 The Spending Review and Autumn Statement 2015 announced the intention to introduce an apprenticeship levy in April 2017 at a rate of 0.5% of an employer's paybill, to facilitate the achievement of 3 million apprenticeship starts by 2020. This will enable government spending on apprenticeships to double the level of spending by 2019-20 (compared to 2010-11 in cash terms). The levy will provide funding that each employer can use to meet their specific needs and will encourage employers to invest in their apprentices and take on more. Key providers will be able to benefit from the significant increase in apprenticeship spending.

6.7 Higher and degree apprenticeships offer a work-based learning programme and lead to a nationally recognised qualification at one of the following:

- Level 4 and 5 - equivalent to a higher education certificate, higher education diploma or a foundation degree
- Level 6 - equivalent to a bachelor degree
- Level 7 – equivalent to a master's degree.

6.8 The Government wants to make higher apprenticeships available to more businesses. The Skills Funding Agency has supported 20,000 higher apprenticeships up until July 2015 and has awarded an extra £20m to fund the higher educational element to the end of March 2016. Following a successful first round with 22 successful applicants, the SFA will shortly be inviting higher education institutions without an SFA funding facility to register and submit an Expression of Interest to deliver higher and degree apprenticeships.

6.9 The Government has recently announced a new network of Institutes of Technology (IoT) aimed at providing the higher level skills that employers demand, primarily at levels 3 to 5. It is anticipated that there will be one IoT per LEP area although there may be exceptions to that rule. IoTs are intended to operate collaboratively and complement other providers, including FE and sixth form colleges, National Colleges and University Technical Colleges. As part of the Area Review process it is anticipated that local steering groups should consider the case for an IoT in the area and whether any of the current college facilities could provide the basis for the IoT. There is a need to ensure strong employer ownership of any proposals. Analysis should consider demand from employers for higher level skills, the degree to which the current provision and delivery arrangements meet this demand and the opportunity for greater specialisation and focus on these particular skills. The need for an IoT and the impact it would have on the area should be identified. This will inform the recommendation for how and where an IoT should be established. These will be considered by a National Steering Group and endorsed by BIS.

Labour Market Analysis

A declining working age population

6.10 According to the latest ONS mid-year population estimates (2015), there were 407,000 people aged 16-64 living in the Marches LEP area in 2014. The working age population accounted for 61% of the total. This is marginally smaller than the working age population across England, which constituted 63% of the total population in 2014. In absolute terms, the 2014 working age population has grown by 18,500 (+5%) since 2001.

6.11 Between 2001 and 2014, the population across the Marches has aged. Although the working age population increased in absolute terms by 5%, this has lagged behind national growth of 9% over the same time period. Concurrently, the retired population across the LEP area increased by 35%, compared to a 22% rise across England.

6.12 According to the latest ONS sub-national population projections, the total population across the Marches is expected to rise by approximately 63,000 by 2037 (9%). This is exclusively driven by large changes in the retired population: the number of over 65s is expected to increase by 92,000, or 70%. By contrast, the working age population is projected to fall by around 28,000, or 7%. Over the same time period, the working age population is expected to rise by 4% across England.

Table 6.1 Summary of Population in Marches LEP and England

	Marches LEP	England
WAP as a % of total population (2014)	61%	63%
Projected % change in total population (2012-37)	9%	16%
Projected % change in WAP (2012-37)	-7%	4%
WAP as a % of total population (2037)	53%	58%

Source: ONS mid-year population estimates, 2015

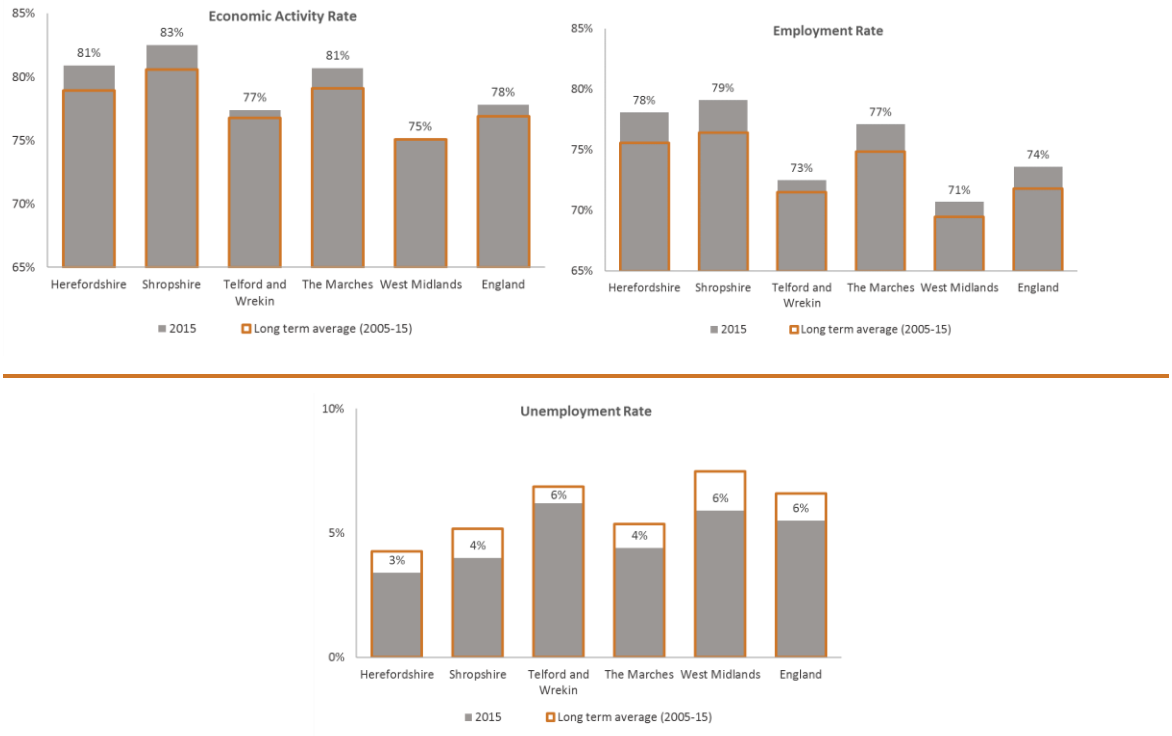
A strong sub-regional labour market

6.13 The latest Annual Population Survey labour market data suggests that the Marches LEP economy has consistently outperformed the West Midlands and England with respect to economic activity, employment and unemployment. In particular, the rates for Herefordshire and Shropshire compare well with the corresponding figures for the West Midlands and England.

6.14 Overall, the economic activity rate and the employment rate for the 12 months leading to September 2015 for the Marches LEP exceed the equivalent rate for the West Midlands and England. Despite this, Telford and Wrekin's current and historic performance in these two indicators is below the national level. Conversely, unemployment is comparatively low although it is higher in Telford and Wrekin.

6.15 The Marches also has a relatively low economic inactivity rate (19.3%) compared with the West Midlands (24.9%) and England (22.2%). Of those that are economically inactive in the Marches, almost one third (28.5%) want a job, as of September 2015. This is higher than the corresponding proportion across the West Midlands (19.9%) and England (24.2%).

Figure 6.1 Economic Activity Rate, Employment Rate and Unemployment Rate for Local Authorities in Marches LEP, the West Midlands and England, 2005-15

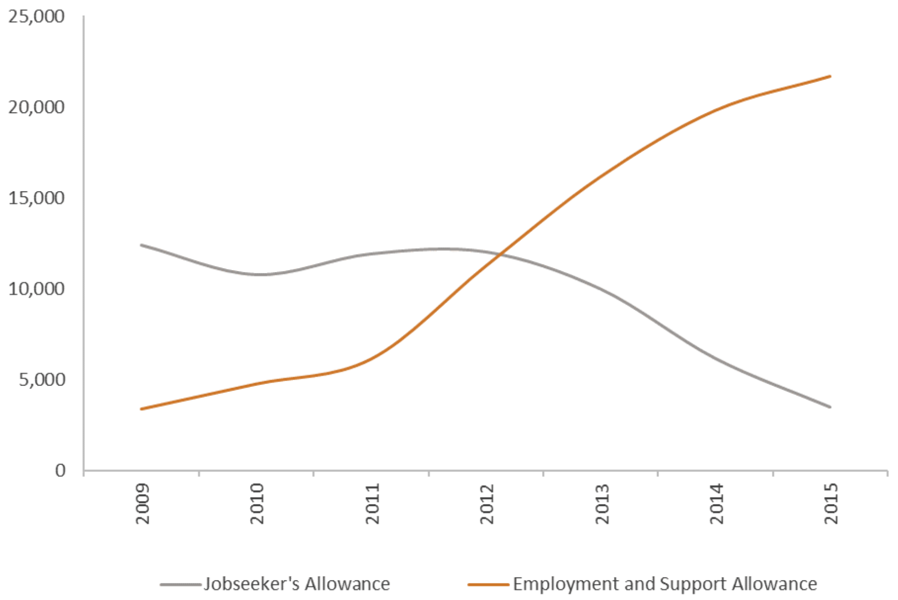


Source: Annual Population Survey (2005-15)

6.16 Generally, the Marches also compares well with neighbouring and comparator LEPs. The Marches ranks 13th highest across all 39 LEPs for its economic activity rate, while the employment rate is 15th highest (based on September 2015 figures). Unemployment in the Marches is the joint 17th lowest of all the 39 LEPs.

6.17 Department for Work and Pensions data shows that the number of Jobseeker's Allowance claimants in the Marches has fallen by 72% between 2009 and 2015 (from 12,400 to 3,500). At the same time there has been a sharp rise in the number of Employment and Support Allowance claimants. Between 2009 and 2015, the number of ESA claimants increased from 3,400 to 21,700, a rise of 544%. These changes are indicative of the picture across England: between 2009 and 2014, the number of JSA claimants decreased by 59% and the number of ESA claimants rose by 528%.

Figure 6.2 Number of Jobseeker's Allowance and Employment and Support Allowance Claimants in the Marches, 2009-15



Source: DWP

6.18 Table 6.2 compares the economic performance of the Marches with neighbouring and comparator LEPs.

Table 6.2 Comparison of the Marches LEP with neighbouring and comparator LEPs, September 2015

LEP	Economic Activity Rate	Employment Rate	Unemployment Rate
Gloucestershire	82%	79%	5%
Heart of the South West	81%	77%	4%
The Marches	**81%**	**77%**	**4%**
Cumbria	81%	77%	4%
Worcestershire	81%	78%	4%
New Anglia	79%	75%	5%
Cornwall and Isles of Scilly	78%	75%	5%
Greater Lincolnshire	78%	73%	6%
Stoke-on-Trent and Staffordshire	78%	74%	5%
Coventry and Warwickshire	76%	74%	3%
Greater Birmingham and Solihull	73%	68%	7%
Black Country	73%	66%	9%

Source: Annual Population Survey

Youth employment represents a challenge in some areas

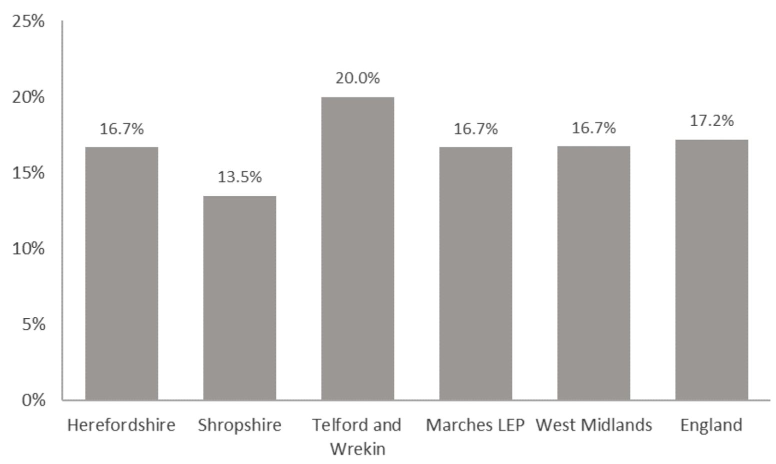
6.19 Despite the encouraging economic performance of the Marches, there are conflicting messages about youth employment in the LEP area.

6.20 The latest Department for Education data shows that the proportion of 16-18 year olds classified as NEET (not in education, employment or training) was higher in two of the local authorities in the Marches than the corresponding figure for the West Midlands. In 2014, 5.7% and 7.3% of 16-18 year olds in Herefordshire and Telford and Wrekin were NEET compared with 5.4% in the West Midlands. By contrast, Shropshire (4.1%) compared well to the regional average.

6.21 These statistics imply that NEETs are more prevalent in the Marches than in some comparator LEPs. In Cumbria, the corresponding rate in 2014 was 4.1%, whereas the rates for Cornwall and Gloucestershire were 4.2% and 4.5% respectively.

6.22 The number of job seekers allowance (JSA) claimants aged 16-24 as a proportion of the total number of claimants is marginally lower across the Marches LEP area than across England. However, youth unemployment is over-represented in Telford and Wrekin relative to benchmarks.

Figure 6.3 Job Seekers Allowance Claimants Aged 16-24 as a proportion of Total JSA Claimants, December 2015



Source: ONS (2015)

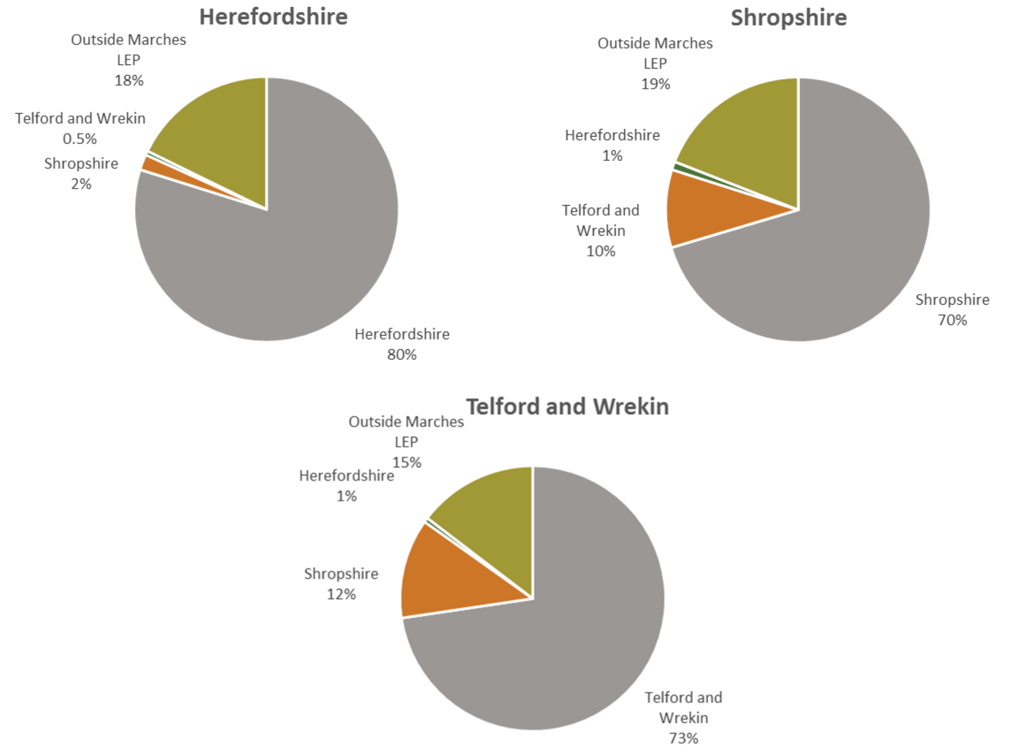
High levels of self-containment

6.23 Travel to work data shows that the three districts across the Marches LEP are able to retain a sizeable proportion of their resident workforce. In Herefordshire, 80% of the district's residents work in the district. Similarly, in Shropshire and Telford and Wrekin, 70% and 73% of the residents in the respective district are also employed within the local authority area. On average, across the three districts, around 83% of Marches residents work inside the LEP area.

6.24 The workforce retention compares well with LEPs of a similar profile to the Marches. Two LEPs with a similar geography to the Marches include Gloucestershire and Worcestershire. All three LEPs are relatively rural and within close proximity to larger urban centres, which provide a destination for employment. According to Census data (2011), approximately 70% of Worcestershire LEP residents also work in the district. Meanwhile, the workforce retention in 2011 in Gloucestershire was in line with the Marches (83%).

6.25 Figure 6.4 shows the strength of the economic relationship between the three local authorities, particularly between Shropshire and Telford & Wrekin.

Figure 6.4 Travel to Work Destinations Data for Three Local Authorities in the Marches LEP



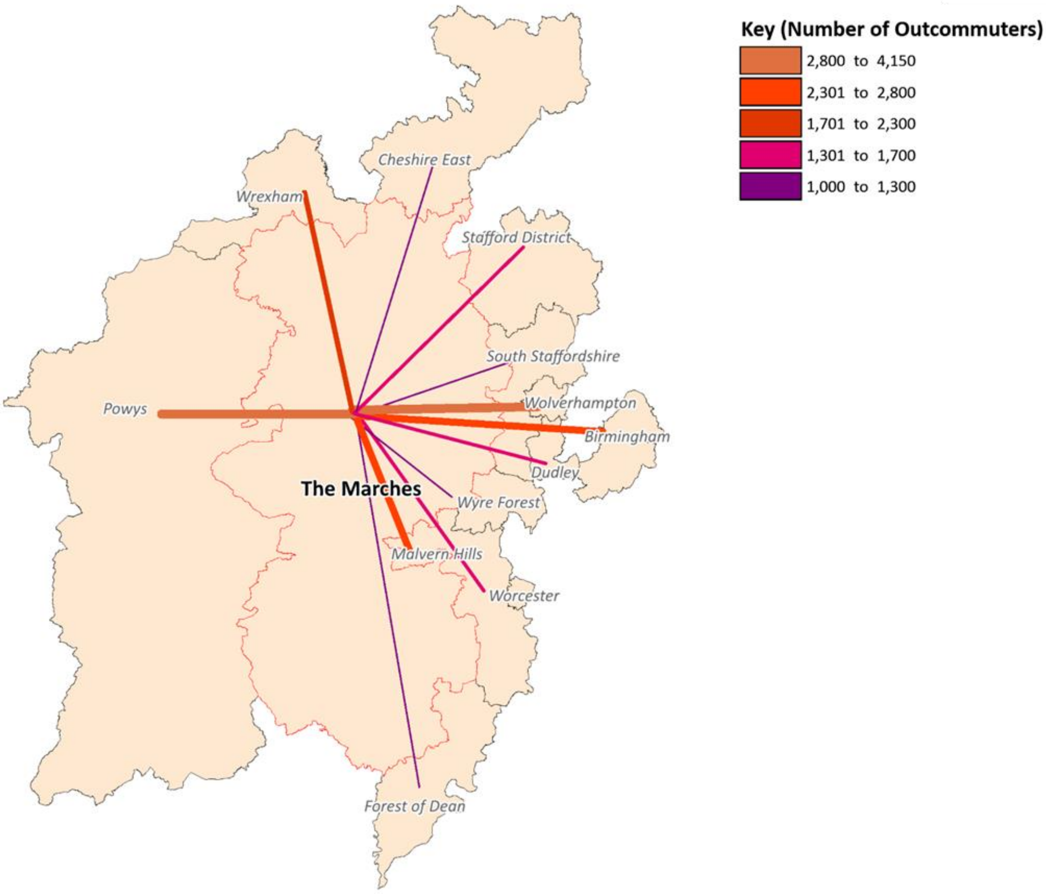
Source: 2011 Census, ONS.

Workers Inflows and Outflows

6.26 Travel to work data provided by the 2011 Census reveals that there is a small **net** outflow of approximately 3,000 workers from the Marches LEP to districts in neighbouring LEPs. The districts that attract the highest number of commuters from the Marches are Wolverhampton (4,150 workers), Powys (2,830) and Birmingham (2,740). In total, around 44,000 people who live in the Marches travel outside the district to work.

6.27 This is offset by around 41,000 workers that live outside of the Marches and who travel to work in the LEP area. The districts with the highest number of in-commuters into the Marches include Powys (4,560 workers), Wolverhampton (3,570) and Wrexham (2,800).

Figure 6.5 Map showing main destinations of outcommuters from the Marches, 2011



Source: ONS Census 2011 and Regeneris Consulting

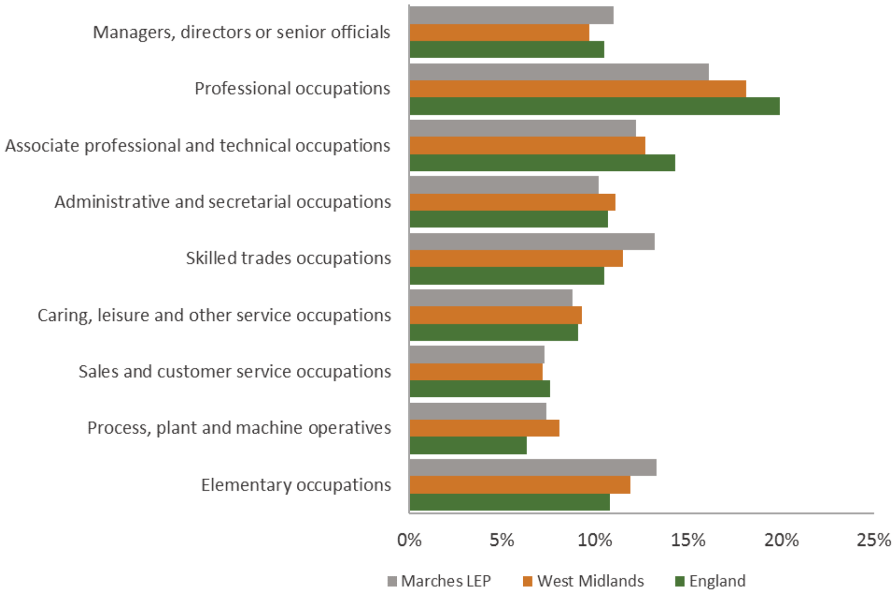
A lower proportion of higher level occupations

6.28 The Marches features a smaller proportion of higher level occupations[42] (39%) than the West Midlands (41%) and England (45%). These higher level occupations are often higher value jobs, and are more beneficial to an economy, particularly if they attract higher levels of business investment as employers identify a higher concentration of more productive workers.

6.29 The occupational breakdown for the Marches, the West Midlands and England is shown in Figure 6.6.

[42] Higher skilled occupations are defined as managers, directors or senior officials, professional occupations, or associate professional and technical occupations.

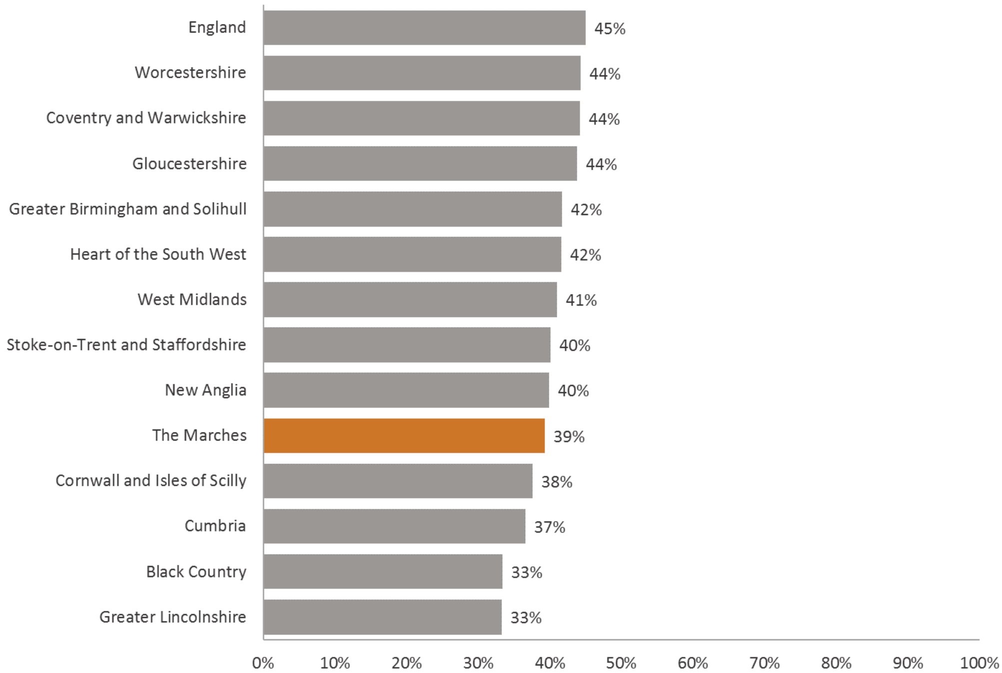
Figure 6.6 Occupational Breakdown for the Marches LEP, the West Midlands and England, September 2015



Source: Annual Population Survey (2015)

6.30 The proportion of higher level occupations in the Marches is relatively low at 39%. Overall, the proportion of higher level jobs in the Marches ranks 30th out of the 39 LEPs, and is below a number of comparator LEPs including New Anglia and Heart of the South West.

Figure 6.7 Proportion of Higher Level Occupations by LEP, the West Midlands and England, September 2015



Source: Annual Population Survey (2015)

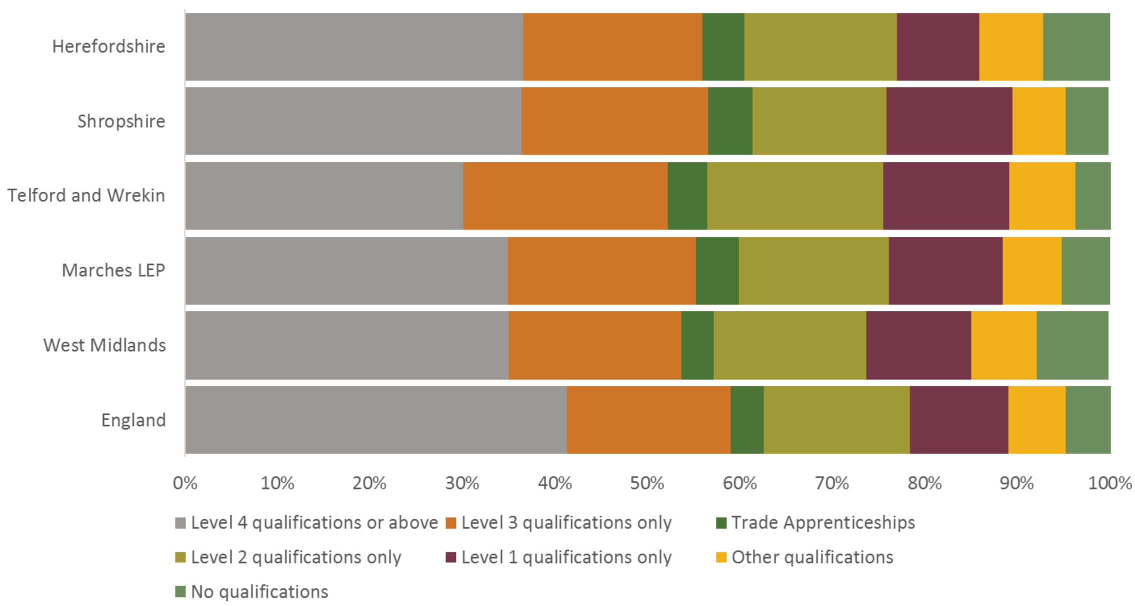
An over-representation of low skilled workers

6.31 The current qualifications profile of the LEP compares poorly with the equivalent profile for England. The proportion of workers employed in the Marches LEP area with Level 4 qualifications or above was 35% compared with 42% across England, as of December 2014. At the same time, the proportion of workers with no qualifications employed in the LEP was 5.2%, marginally higher than the 4.9% nationally.

6.32 At a local level, the proportion of workers with a Level 4 qualification or above is highest in Herefordshire (37%) and Shropshire (36%). The proportion for Telford and Wrekin is far smaller (30%), and there is a greater concentration of workers with a Level 2 and Level 3 qualification in the district than the rest of the Marches and England. Herefordshire (7%) is the district with the largest proportion of workers with no qualifications, followed by Shropshire (5%) and Telford and Wrekin (4%).

6.33 The relative shortage of highly qualified workers is a source of concern for the Marches, as demand for higher level occupations over the next few years is set to grow. Without a step change, employers across the Marches will be unable to meet their business needs.

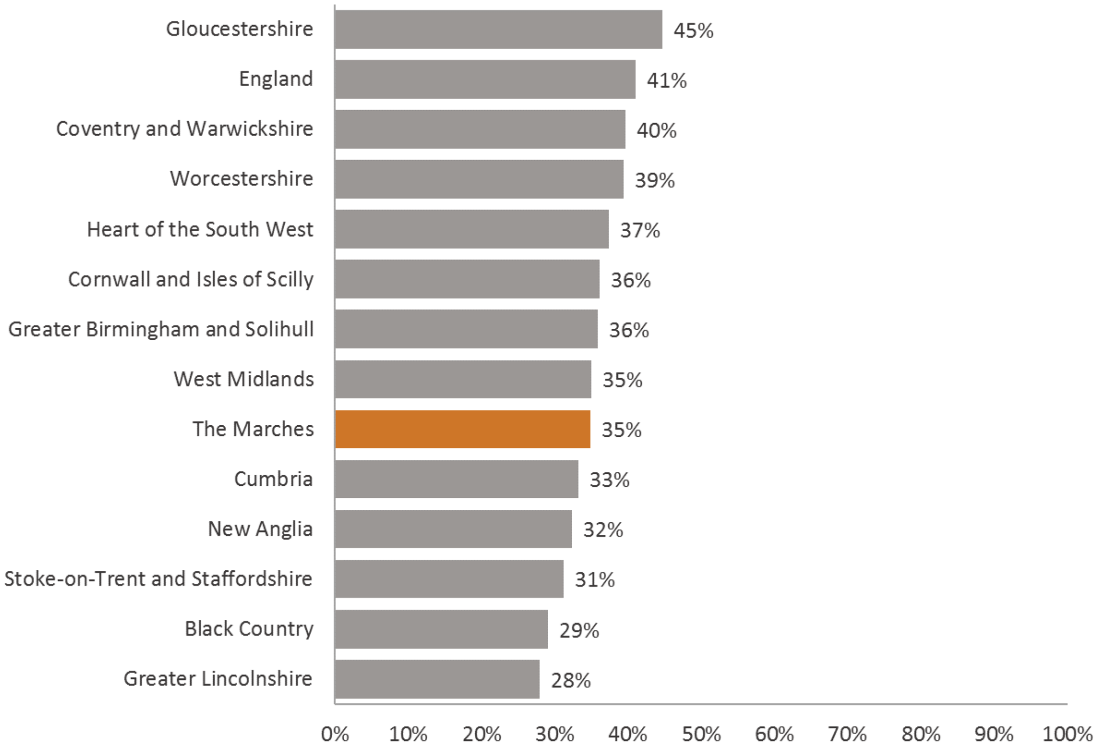
Figure 6.8 Qualifications Profile of Workers Employed in Local Authorities in the Marches LEP, the West Midlands and England, December 2014



Source Annual Population Survey

6.34 Figure 6.8 compares the proportion of workers employed in the Marches that hold a Level 4 qualification or above with similar LEPs. Relative to comparator and neighbouring LEPs, there is scope for improvement across the Marches. A number of LEPs, such as Gloucestershire and Coventry and Warwickshire, have significantly higher levels of workers with Level 4 qualifications and above.

Figure 6.9 Proportion of Workers Employed with NVQ4+ Qualifications, December 2014



Source: Annual Population Survey

6.35 The qualifications profile of the LEP area is forecast to improve substantially between 2012 and 2022, according to UKCES[43]. The proportion of job openings held by workers with a Level 4 qualification or above is expected to increase to 46 per cent by 2022. At the same time, the number of job openings with low qualifications (Level 2 or below) is forecast to decline to 15 per cent.

Growing demand for higher level skills

6.36 UKCES Working Futures data for the Marches shows that the occupational structure across the LEP area will change between 2012 and 2022. The number of higher level occupations is expected to increase by almost 21,900 through expansion demand (net change in employment). The growth in higher level occupations is largely driven by increases in professional occupations, which will account for 47% of net employment growth across the three occupational groups. Over the same time period, 45,500 workers will be required through replacement demand (labour required to replace workers leaving the workforce through retirement or other means). This means that the overall requirement (total demand) for higher level workers between 2012 and 2022 is 67,300.

6.37 Employment within the remaining occupations is expected to decrease between 2012 and 2022, with the exception of caring, leisure and other service occupations. Increases in this occupational group are most probably fuelled by an ageing population placing additional demands upon the care sector. Overall, net employment is expected to rise by 16,600 across all occupations.

[43] The Marches LMI Summary, UKCES, page 4.

Table 6.3 Changing Composition of Employment by Occupation across the Marches, 2012-22

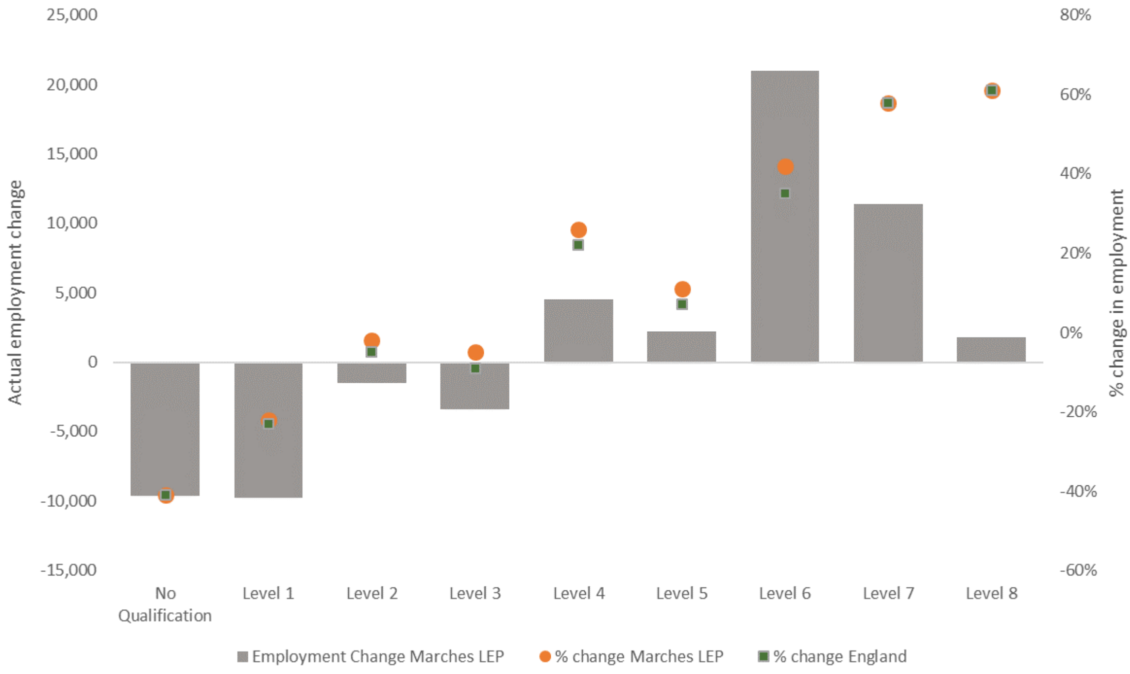
	Expansion demand (net change)	Replacement demand	Total requirement
Managers, directors and senior officials	5,400	11,800	17,200
Professional occupations	10,700	20,800	31,400
Associate professional and technical	5,800	12,900	18,700
Administrative and secretarial	-3,500	16,300	12,800
Skilled trades occupations	-4,700	15,700	11,000
Caring, leisure and other service	7,300	14,400	21,700
Sales and customer service	-800	8,400	7,600
Process, plant and machine operatives	-2,800	9,000	6,200
Elementary occupations	-800	12,700	11,900
Total	16,600	122,000	138,500

Source: UKCES Working Futures data

6.38 Encouragingly, the skills profile of the workforce across the Marches is expected to improve substantially between 2012 and 2022. This likely reflects the employment shift towards higher level occupations across the LEP area. Between 2012 and 2022, employment in lower level skills (Level 2 and below) will decrease by around 19,000, while employment in higher level skills (Level 4 and above) will rise by approximately 41,000.

6.39 The changes in higher level skills expected across the Marches compare well with the national outlook. More specifically, employment in Level 4 and Level 5 qualifications is expected to increase by 26% and 11% respectively, as opposed to growth of 22% and 7% across England. It is important that the education and training system is geared up to support this transition.

Figure 6.10 Forecast Change in Employment by Qualification Level in the Marches and England, 2012-22



Source: UKCES Working Futures data

6.40 Between 2012 and 2022, employment is expected to increase across most sectors, although the scale of increase will vary. The largest employment growth is expected in the *health and social work* sector and the number of jobs will rise by 5,000 (12% increase), reflecting the demographic changes expected across the sub-region. By contrast, employment in expected to fall in a number of sector, including some of the LEP's current priority sectors. The number of jobs in *engineering* and *the rest of manufacturing* is expected to fall by 600 (-8%) and 1,400 (-6%) respectively. Likewise, jobs in the *public administration and defence* and *agriculture* industries are projected to decrease by 700 (-5%) and -2,200 (-15%).

Table 6.4 Forecast Change in Employment by Industry in the Marches and England, 2012-22

Industry	Marches LEP		England
	Change	% change	% change
Health and social work	5,000	12%	10%
Information technology	2,900	39%	30%
Construction	2,800	15%	15%
Support services	2,600	12%	8%
Professional services	1,400	11%	14%
Wholesale and retail trade	1,200	2%	4%
Transport and storage	1,200	10%	7%
Other services	1,200	15%	9%
Accommodation and food	1,100	5%	6%
Real estate	1,100	26%	13%
Arts and entertainment	800	11%	7%
Food drink and tobacco	600	5%	-6%
Water and sewerage	300	10%	12%
Finance and insurance	200	6%	8%
Electricity and gas	-	-	16%
Media	-	-	-4%
Mining and quarrying	-100	-12%	-14%
Engineering	-600	-8%	-10%
Public admin. and defence	-700	-5%	-8%
Education	-800	-3%	-1%
Rest of manufacturing	-1,400	-6%	-9%
Agriculture	-2,200	-15%	-20%
Total	16,600	5%	6%

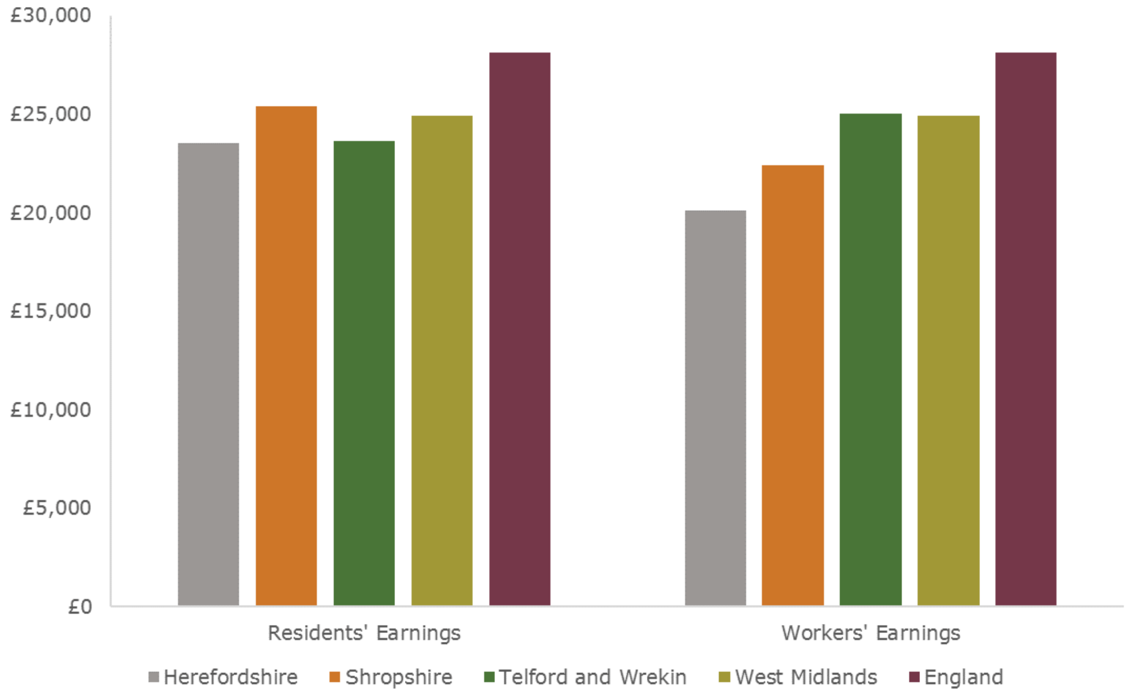
Source: UKCES Working Futures data

Lower earnings for residents and workers

6.42 The latest Annual Survey of Hours and Earnings data reveals that the salaries across the Marches are substantially lower than the mean annual pay across the West Midlands and England. These comparatively lower earnings partly reflect the lower skill base across the LEP compared with England.

6.43 In 2015, the average earnings for both residents and workers in each of the three local authorities was below the corresponding pay for England. The fact that resident earnings are higher in Herefordshire and Shropshire than workplace pay implies that a substantial proportion of the districts' residents commute outside of the area, occupying higher-paid jobs elsewhere.

Figure 6.11 Comparison of Residents' Earnings and Workers' Earnings, 2015



Source: Annual Survey of Hours and Earnings (2015)

Educational Attainment and Participation

Strong educational performance as a foundation to build on

6.44 GCSE attainment is highest in Shropshire and Herefordshire. According to the latest Department for Education data, the proportion of 5 A*-C GCSEs and 5 A*-C GCSEs including English and Mathematics was higher in the two local authority areas than the West Midlands and England. The performance of schools in Telford and Wrekin is slightly below the national and regional attainment levels.

Table 6.5 Summary of GCSE Attainment, 2014/15

	5 A*- C GCSEs	5 A*- C GCSEs including English and Maths
Herefordshire	64.9%	57.5%
Shropshire	66.7%	56.5%
Telford and Wrekin	62.6%	53.7%
West Midlands	64.4%	55.1%
England	64.9%	53.8%

Source: Department for Education (2016)

6.45 Attainment data for A level and other Level 3 qualifications suggests that the Marches performs relatively weakly on this measure. Of the three local authorities, only Herefordshire (744.2) had a higher average point score per student than the West Midlands (693.3) and England (717.8) in 2014/15. Conversely, the average point score per student in Shropshire (667.5) and Telford and Wrekin (691.1) was considerably below the national average.

Table 6.6 Summary of Level 3 Qualifications Attainment, 2014/15

	Average point score per student
Herefordshire	744.2
Shropshire	667.5
Telford and Wrekin	691.1
West Midlands	693.3
England	717.8

Source: Department for Education (2016). State-funded students only.

High levels of progression into education, employment or training

6.46 Destinations data from the Department for Education (2016) reveals that, for each of district in the Marches, at least 90% of KS4 students that completed their qualifications in 2013/14 entered into education or employment/training. The proportion of KS4 and KS5 students entering into education or employment/training is highest in Herefordshire (93% and 76% respectively), which exceeds the national average in both cases (92% and 73% respectively).

Table 6.7 Summary of Percentage of Key Stage 4 and Key Stage 5 Entering into Education or Employment/Training, 2013/14

	Key Stage 4	Key Stage 5
Herefordshire	93%	76%
Shropshire	90%	71%
Telford and Wrekin	92%	71%
West Midlands	91%	73%
England	92%	73%

Source: Department for Education (2016). Data includes both state-funded and private mainstream schools.

6.47 At Key Stage 4, the majority of the remaining school leavers were recorded as in a ‘destination not sustained’. This means that they were recorded as having some education or employment participation, but that this was not continuous. It is not possible to infer anything further about their destination. Only a small percentage of KS4 leavers are recorded as NEETs. In each of the three local authorities, only 2% of leavers were recorded as ‘destination not sustained or NEET’. This is line with the NEET figures for England (2%).

6.48 The majority of KS5 leavers not recorded as entering into education or employment training were registered as ‘undertaking activity not captured in the data’. This applies to students that:

- had left in country
- were in custody
- were in an unknown location
- attended an independent school not captures in the awarding body data
- attended a Scottish or Welsh educational institution.

6.49 The proportion recorded as NEET in Herefordshire was in line with the England average (2%) whereas Shropshire (3%) and Telford & Wrekin (5%) featured an above average proportion. This suggests that the incidence of NEET was higher amongst the older youth cohort.

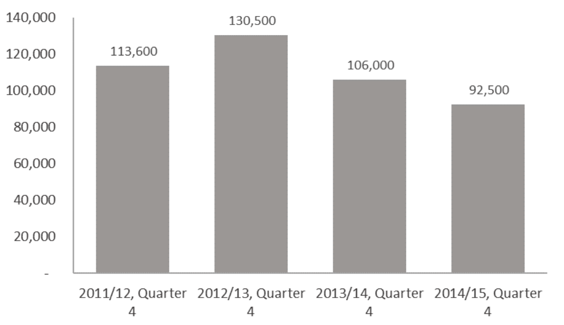
A decrease in participation in Further Education

6.50 The analysis of Further Education participation across the Marches is drawn from the Skills Funding Agency (SFA) datacube. This information source mainly focuses upon learning undertaken by 19-year-olds and above, and although it does include learning information for 16-18 year-olds, it does not include data for most schools and sixth-form colleges. Therefore, it does not offer a full picture of participation for 16-18 year-olds, and this should be borne in mind when interpreting the results.

6.51 According to the SFA, there were around 92,500 learning aims started across the Marches in Q4 2014/15. Compared with Q4 2011/12, this represented a decline of approximately 22,000 starts, or 19%.

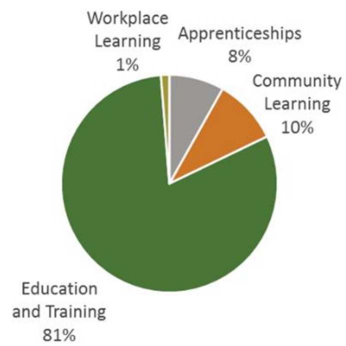
6.52 The majority of these starts were in education and training courses, which accounted for 81% of the total number of FE courses started in Q4 2014/15. Community learning and apprenticeships constituted 10% and 8% of the total starts respectively, while just 1% of starts were in workplace learning qualifications.

Figure 6.12 Number of FE Courses Starts in the Marches LEP, Q4 2011/12-Q4 2014/15



Source: Skills Funding Agency

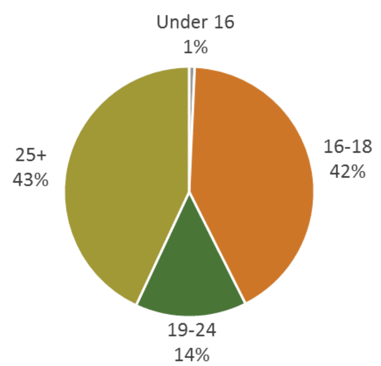
Figure 6.13 Breakdown of FE Starts by Provision Type, Q4 2014/15



Source: Skills Funding Agency

6.53 Almost half of all FE starts were undertaken by learners aged 25 or over. A similar proportion were undertaken by 16-18 year-olds (42%), while only a small number of FE starts were students aged 19-24 (14%). This is indicative of the co-funding model which applies to this cohort and the funding gap which may exist for the individual.

Figure 6.14 Age Breakdown of FE Starters, Q4 2014

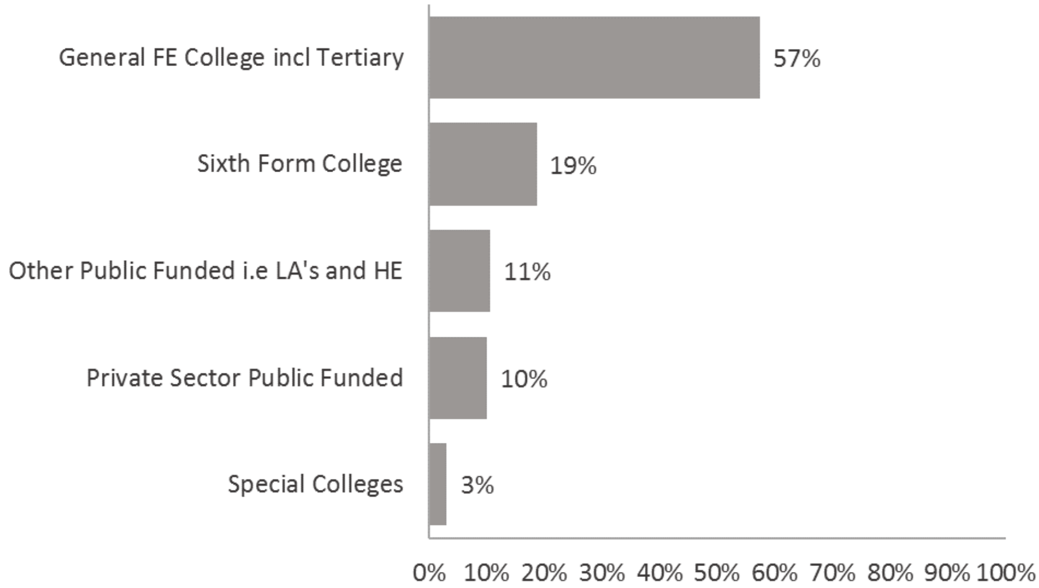


Source: Skills Funding Agency

6.54 FE provision across the Marches is mainly delivered by FE colleges across the sub-region. In Q4 2014/15, these institutions delivered 57% of the FE courses across the Marches. Sixth form colleges delivered almost one fifth of courses across the sub-region. The private sector maintained some presence in the Marches:

private sector providers accounted for 10% of FE courses delivered in Q4 2014/15.

Figure 6.15 Breakdown of FE Provision by Provider Type, Q4 2014



Source: Skills Funding Agency

6.55 Table 6.8 shows the larger FE and Sixth Form Colleges in the Marches sub-region which are participating in the current Area Based Review. The latest OFSTED ratings for each FE College show scope for improvement, although student satisfaction, where available, is relatively high. Employer satisfaction is mixed, suggesting that there is scope to improve the extent to which providers are meeting employer needs.

Table 6.8 Overview of Marches Providers participating in the Area Based Review

Institution	Number of Students	OFSTED Grading (inspection date)	FE Student Satisfaction	FE Employer Satisfaction
FE Colleges				
Hereford College of Arts	450	Good (October 2013)	8.1	-
Herefordshire and Ludlow College	5,000	Good (May 2010)	8.2	8.7
North Shropshire College	2,200	Requires Improvement (November 2014)	-	6.6
Shrewsbury College of Arts and Technology	10,600	Good (June 2014)	-	6.4
Telford College of Arts and Technology	8,500	Good (May 2010)	8.7	8.3
Sixth Form Colleges				
Hereford Sixth Form College	1,700	Outstanding (April 2008)	-	-

Institution	Number of Students	OFSTED Grading (inspection date)	FE Student Satisfaction	FE Employer Satisfaction
New College Telford	1,500	Good (March 2013)	-	-
Shrewsbury Sixth Form College	1,500	Good (October 2013)	-	-

Source: OFSTED Inspection Reports and FE Choices Data

6.56 The SFA does not provide detailed sector subject area information on FE courses studied, but there is some loose alignment with some of the Marches LEP's priority sectors identified in Section 4.

Table 6.9 Number of FE Starts by Learning Aim Sector Subject Area, Q4 2014

Sector Subject Area	Total Number of FE Starts	Success Rate
Health, Public Services and Care	**6,363**	**75%**
Science and Mathematics	**7,261**	**77%**
Agriculture, Horticulture and Animal Care	**2,077**	**81%**
Agriculture	*691*	*85%*
Horticulture and Forestry	*560*	*100%*
Animal Care and Veterinary Science	*749*	*78%*
Environmental Conservation	*74*	*86%*
Engineering and Manufacturing Technologies	**2,982**	**73%**
Engineering	*1,278*	*81%*
Manufacturing Technologies	*716*	*75%*
Transportation Operations and Maintenance	*988*	*62%*
Construction, Planning and the Built Environment	**2,370**	**67%**
Information and Communication Technology	**4,806**	**75%**
Retail and Commercial Enterprise	**3,838**	**74%**
Leisure, Travel and Tourism	**2,459**	**75%**
Sport, Leisure and Recreation	*2,028*	*75%*
Travel and Tourism	*431*	*72%*
Arts, Media and Publishing	**7,005**	**78%**
Education and Training	**121**	**50%**
Business, Administration and Law	**3,963**	**71%**
Other	**37,307**	**66%**
Not Applicable/ Not Known	**11,248**	**71%**

Source: Skills Funding Agency

6.57 The overall success rate for Q4 2014/15 across the four learning types was 71%. This was highest for Community Learning candidates (75%) and lowest for Apprenticeship learners (59%).

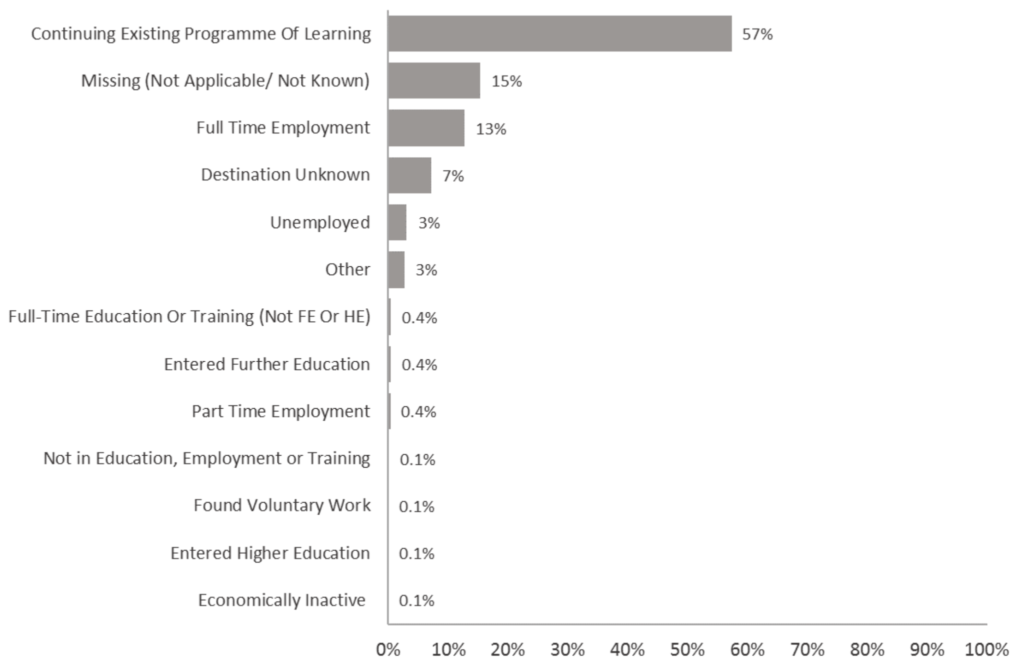
Table 6.10 Success Rate by Provision Type, Q4 2014/15

Provision Type	Starts	Achievements	Success Rate
Apprenticeships	7,566	4,464	59%
Community Learning	8,954	6,671	75%
Education and Training	74,777	53,455	71%
Workplace Learning	1,154	765	66%
Total	**92,451**	**65,355**	**71%**

Source: Skills Funding Agency

6.58 Overall, across the four learning types, almost 60% of learners continued with their existing programme of learning following the successful completion of their qualification. Only 13% of learners found full-time employment after finishing their studies, while the destination of around 20% was classified as missing or unknown.

Figure 6.16 Destination of All Further Education Achievers in the Marches, Q2 2014/15



Source: Skills Funding Agency

Modest growth in Traineeships

6.59 There is some limited information available on traineeships at a LEP level. According to the SFA, there were 110 and 119 traineeships started in 2013/14 and 2014/15 respectively in the Marches. This compares poorly with some comparator LEPs both in terms of the number of traineeships and the rate of annual change. The number of traineeships, and the proportionate change between 2013/14 and 2014/15 was greater in Greater Lincolnshire, Heart of the South West and New Anglia.

Table 6.11 Traineeship Starts by LEP, 2013/14 and 2014/15

	2013/14	2014/15
Cornwall and the Isles of Scilly	80	60
Cumbria	90	100
Greater Lincolnshire	250	420
Heart of the South West	290	340
New Anglia	140	360
The Marches	110	120

Source: Skills Funding Agency

6.60 Of the 119 starts in 2014/15, there were 54 successful completions, implying a success rate of 46%, which is relatively low compared with other FE learning types within the Marches. Information regarding the sector subject area for each of the traineeships is unknown.

6.61 Almost half of all traineeships undertaken by residents of the Marches were delivered in Telford and Wrekin (48%). 33% were delivered in Herefordshire, while a small amount took place in Shropshire (9%). The small remainder of traineeships were delivered outside the Marches, in locations such as Walsall and Birmingham.

Table 6.12 Traineeship Starts by Local Authority, 2014/15

Birmingham	2
Cheshire East	1
Derby	1
Herefordshire	39
Shropshire	11
South Staffordshire	1
Telford and Wrekin	57
Walsall	5
Worcester	2
Total	119

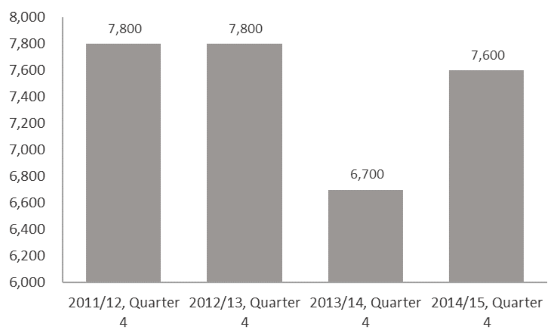
Source: HESA

6.62 Destinations information is relatively limited, and for 51% of traineeship starts in 2014/15, the relevant data is missing (not applicable/not known). 31% of traineeship starters continued with their existing programme of learning. Only 1% of traineeship starters were unemployed following the completion of their studies.

An improving picture of participation in Apprenticeships

6.63 According to the Skills Funding Agency, apprenticeship participation in Herefordshire and Telford and Wrekin was higher than the national average. 6% and 8% of 2013/14 Key Stage 5 leavers[44] in the two districts respectively progressed to an apprenticeship compared with 5% nationally. Participation in Shropshire (4%) was lower than the rate across England. Despite this, the UKCES Employer Perspective Survey (2014) revealed that employer participation in apprenticeships was low compared with England. According to the survey, nine per cent of employers across the Marches offered a formal Apprenticeship compared with 15% of employers across England.[45]

Figure 6.17 Number of Apprenticeship Starts in the Marches, Q4 2011/12 to Q4 2014/15



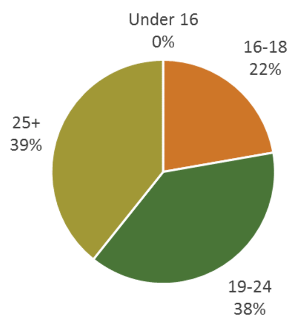
Source: Skills Funding Agency

6.64 The number of apprenticeships undertaken across the Marches has fluctuated in recent years. In Q4 2014/15, 7,600 apprenticeships were started, an improvement of 13% on the previous twelve months. This coincided with the abolishment of Advanced Learning Loans, which is likely to have revived demand for apprenticeships.

6.65 There was a relatively high proportion of apprenticeship starts were undertaken by over 25s in Q4 2014 (39%). There was a far smaller proportion of 16-18s undertaking Apprenticeships compared with FE courses in general.

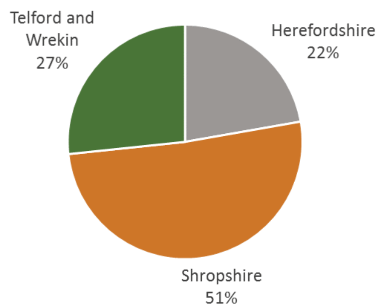
6.66 The SFA data provided only covers those learners within the Marches area. Across the sub-region, over half of all apprenticeship starters lived in Shropshire. 27% and 22% lived in Shropshire and Telford and Wrekin respectively.

Figure 6.18 Age Breakdown of Apprenticeships Starts, Q4 2014



Source: Skills Funding Agency

Figure 6.19 Local Authority Breakdown of Apprenticeships Starts, Q4 2014



Source: Skills Funding Agency

44 Data includes all mainstream schools (both state funded institutions and private schools).

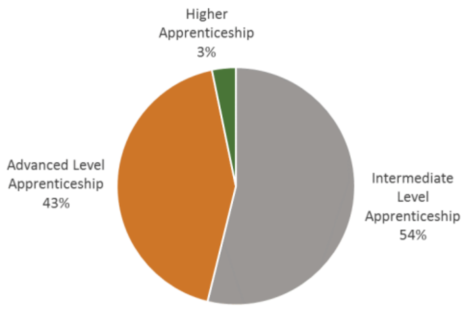
45 The Marches LMI Summary, UKCES, page 7.

6.67 Apprenticeships in the Marches were mainly lower level or mid-range qualifications. Over half of apprenticeships were intermediate level apprenticeships. Only 3% of apprenticeships undertaken in Q4 2014/15 were higher apprenticeships.

6.68 The breakdown across the Marches largely resembles the corresponding breakdown across England. In 2014/15, 4% of apprenticeship starts were higher apprenticeships, and 60% were intermediate level qualifications.

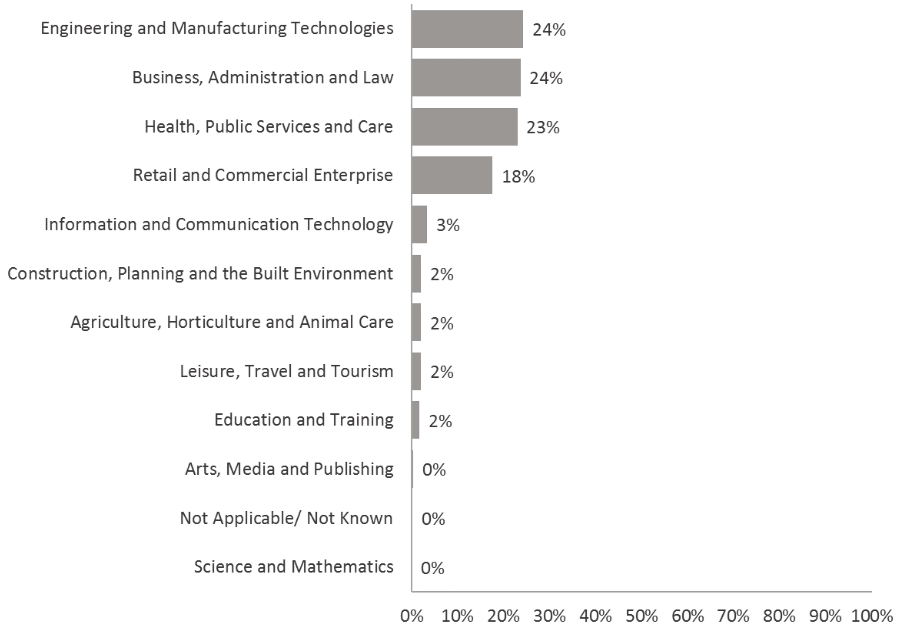
6.69 Apprenticeships in the Marches are mainly focused around four broad framework sector subject areas. Almost 90% apprenticeship starts in 2014/15 were in engineering and manufacturing technologies (24%), business, administration and law (24%), health, public services and care (23%) and retail and commercial enterprise (18%).

Figure 6.20 Apprenticeship Starts in the Marches by Level, Q4 2014



Source: Skills Funding Agency

Figure 6.21 Breakdown of Apprenticeship Starts by Framework Sector Subject Area, Q4 2014/15



Source: Skills Funding Agency

6.70 These broad sector subject areas do not offer a clear indication of the relationship between the courses studied and the LEP's priority sectors. However, the opportunity for growth in apprenticeships is particularly strong in the Marches key sectors of advanced manufacturing, health and social care, and professional services where the model of apprenticeships is well established.

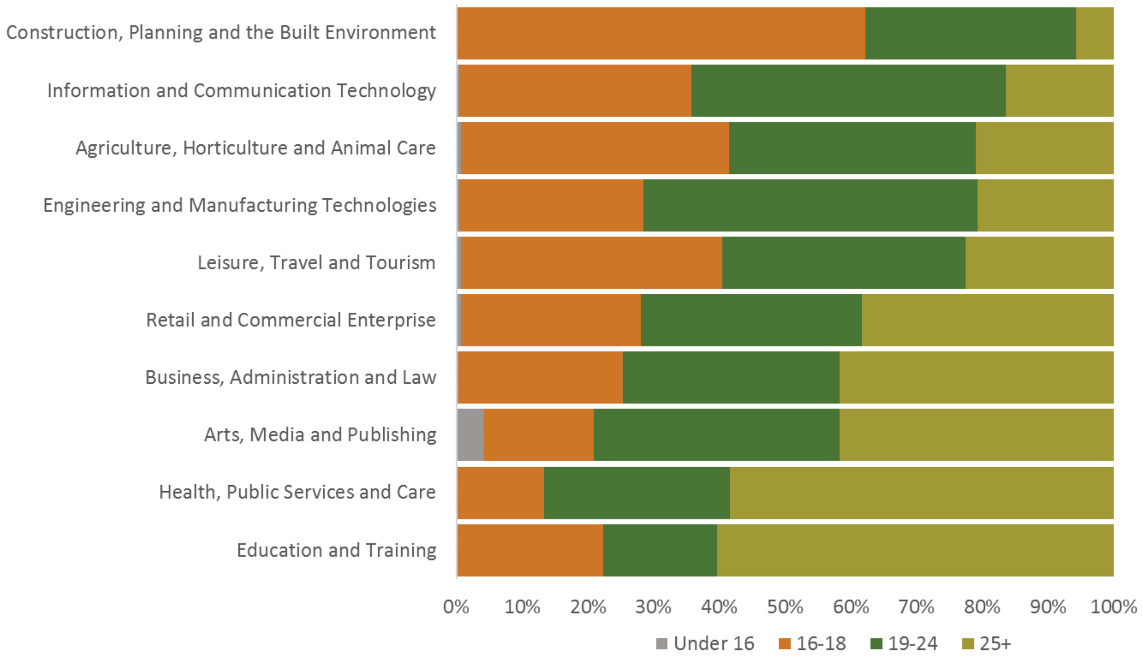
Table 6.13 Number of Apprenticeship Starts by Framework Sector Subject Area, Q4 2014

Sector Subject Area	Total Number of Apprenticeship Starts	Success Rate
Health, Public Services and Care	**1,742**	**55%**
Science and Mathematics*	**1**	**-**
Agriculture, Horticulture and Animal Care	**152**	**59%**
Agriculture	*72*	*50%*
Horticulture and Forestry	*38*	*100%*
Animal Care and Veterinary Science	*39*	*41%*
*Environmental Conservation**	*3*	-
Engineering and Manufacturing Technologies	**1,836**	**61%**
Engineering	*162*	*86%*
Manufacturing Technologies	*1,337*	*58%*
Transportation Operations and Maintenance	*337*	*60%*
Construction, Planning and the Built Environment	**156**	**51%**
Information and Communication Technology	**255**	**65%**
Retail and Commercial Enterprise	**1,332**	**56%**
Leisure, Travel and Tourism	**146**	**62%**
Sport, Leisure and Recreation	*144*	*56%*
*Travel and Tourism**	*2*	-
Arts, Media and Publishing	**24**	**29%**
Education and Training	**121**	**74%**
Business, Administration and Law	**1,792**	**62%**
Not Applicable/ Not Known	**9**	**0%**

Source: Skills Funding Agency. * denotes that the success rate was not disclosed due to a small number of apprenticeship starters.

6.71 The construction, planning and the built environment had the highest proportion of starts from the 16-18 age cohort and the smallest proportion of over 25s. Similarly, starts in the ICT, agriculture and engineering sectors were predominately 16-24 year-olds. Conversely, health, public services and care and education and training courses featured a large proportion of over 25s started in Q4 2014, and over half of all apprenticeship starts were undertaken by learners in this age group.

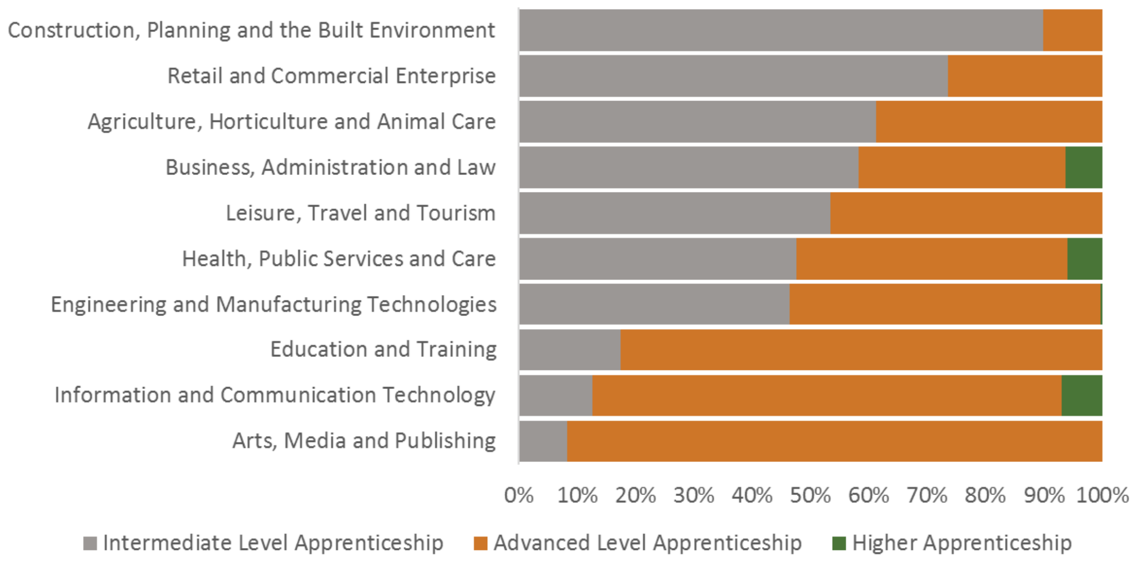
Figure 6.22 Framework Sector Subject Area Apprenticeship Starts by Age in the Marches, Q4 2014



Source: Skills Funding Agency

6.72 Construction, planning and the built environment courses featured the highest proportion of intermediate level starts (Level 2 qualifications) in Q4 2014/15. Retail and commercial enterprise and agriculture courses were also mostly intermediate level qualifications. By contrast, arts, media and publishing and ICT apprenticeship starts were almost exclusively advanced level apprenticeships (Level 3 qualifications). Higher apprenticeships were limited to a small proportion of business administration and law, health, public services and care and ICT courses (Level 4 qualifications).

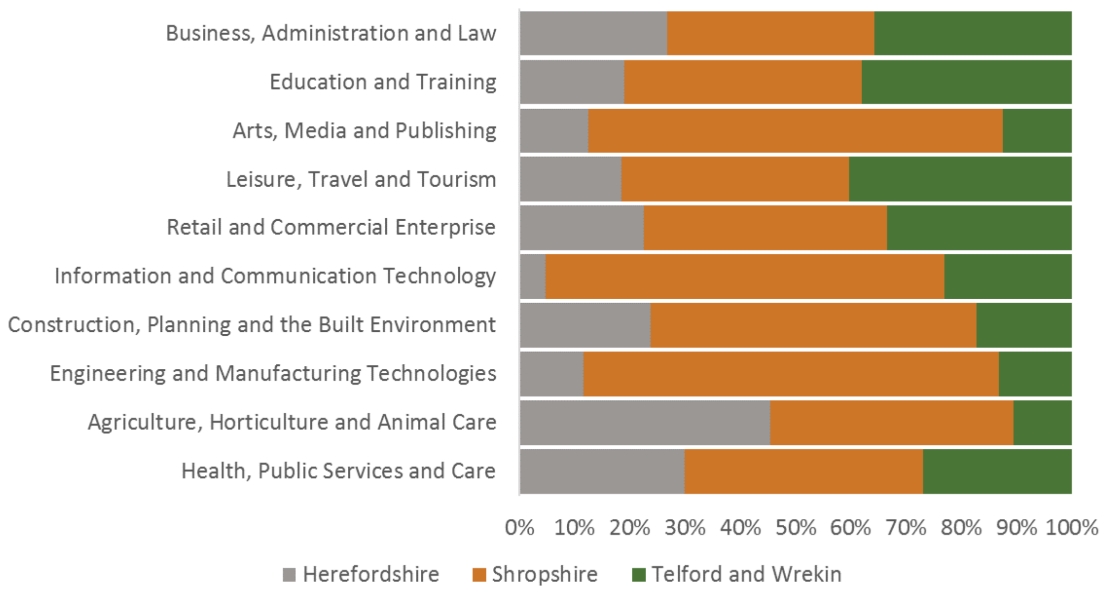
Figure 6.23 Framework Sector Subject Area Apprenticeship Starts by Level in the Marches, Q4 2014



Source: Skills Funding Agency

6.73 Some sector subject areas had higher numbers of starts from learners living in a particular local authority in the Marches. Arts, media and publishing and engineering courses were mostly started by learners living in Shropshire, where agriculture courses had a relatively high proportion of learners from Herefordshire.

Figure 6.24 Framework Sector Subject Area Starts by Learner Home Authority, Q4 2014



Source: Skills Funding Agency

6.74 The largest provider of Apprenticeships in Q4 2014/15 was the Royal Air Force, which constituted 15% of all starts. The overall success rate among the 252 providers was 59%.

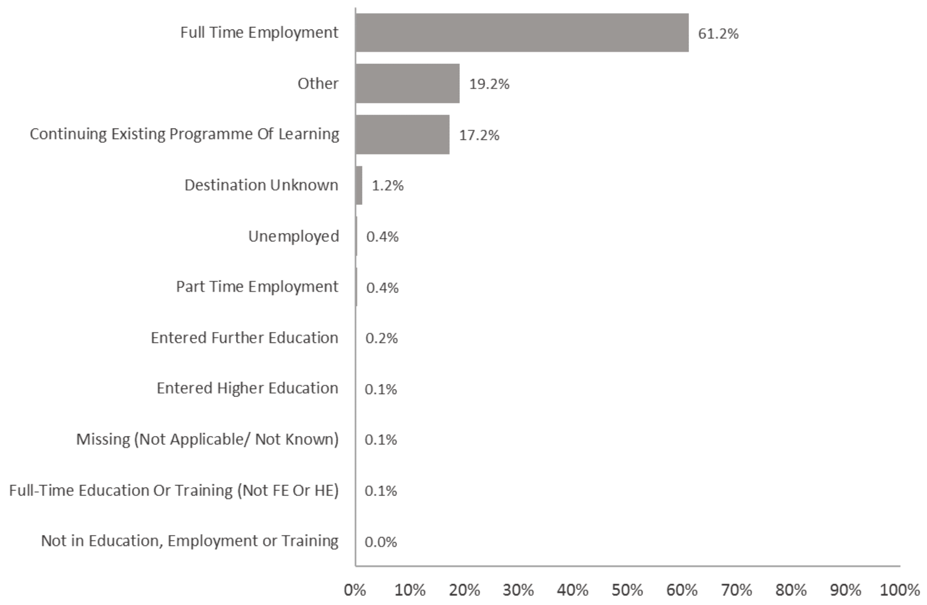
Table 6.14 Success Rate by Major Apprenticeship Provider, Q4 2014/15

	Starts	Achievements	Success Rate
Royal Air Force	1166	718	62%
Telford College of Arts & Technology	626	355	57%
Babcock Training Limited	384	207	54%
The Shropshire Council	340	246	72%
Shrewsbury College of Arts & Technology	278	178	64%
Riverside Training Limited	276	245	89%
Learndirect Limited	219	50	23%
Herefordshire and Ludlow College	218	165	76%
Hoople Limited	218	208	95%
Heart of Worcestershire College	178	148	83%
North Shropshire College	178	99	56%
First4skills Limited	160	99	62%
Overall Success Rate (from 252 providers)	**7,566**	**4,464**	**59%**

Source: Skills Funding Agency

6.75 Over half of apprentices across the Marches enter into full-time employment following the completion of their programme. In 2014/15, 61% of apprentices that completed their studies gained full-time employment, and 18% continued with their existing programme of learning. Conversely, only 1% of apprentices that successfully finished their programme in 2014/15 were classified as unemployed.

Figure 6.25 Destination of Apprenticeship Achievers in the Marches, Q2 2014/15



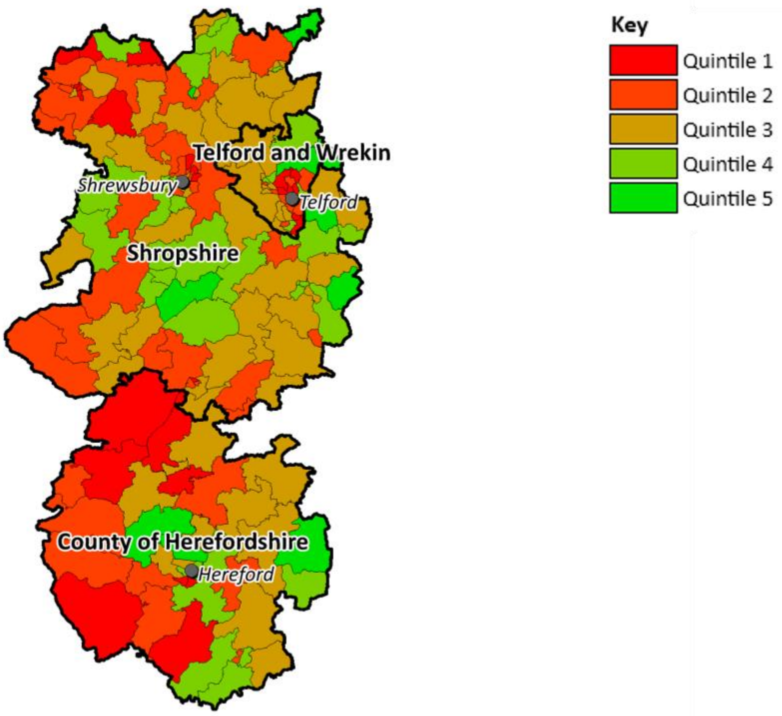
Source: Skills Funding Agency

Limited but improving picture of HE provision across the Marches

6.76 Participation in higher education historically has been relatively low across the Marches, particularly throughout Herefordshire and Telford and Wrekin, where there are pockets of extremely low participation.

6.77 Participation in higher education is vital to provide young people with the necessary skills to meet businesses' needs and increase the proportion of highly skilled labour across the LEP area.

Figure 6.26 HE participation of 18 year olds by LSOA in the Marches, 2005-11



Source: HEFCE. POLAR3 (Participation in Local Areas) is based on the Higher Education (HE) participation rates of people who are aged 18 between 2005 and 2009 and entered a HE course in a UK higher education institution or an English or Scottish further education college, aged 18 or 19, between academic years 2005-06 and 2010-11.

HE provision in the Marches

6.78 HESA data for 2013/14 is available for two HEIs within the Marches: Harper Adams University and the Telford campus of the University of Wolverhampton.

6.79 The total number of students across the two HEIs was 2,635 full person equivalent (FPE)[46] students, of which 2,560 (97%) studied at Harper Adams University. The courses offered by Harper Adams were almost exclusively agriculture and related subjects (95%), while the remaining courses were engineering and technology, business and administrative studies and social studies. Similarly, the small number of students at the Telford campus of the University of Wolverhampton all studied engineering and technology related subjects.

[46] Full person equivalent measurements look at how much of a person's whole working time is engaged in a particular activity.

6.80 This suggests that there is potentially some alignment with the courses offered by the HEIs in the Marches, and two of the LEP's priority sectors (advanced manufacturing and agri-technology). However, given the broad sector subject definition, it is not possible to investigate the nature of the courses studied to better understand the relevance of the courses offered to the LEP's priority sectors.

6.81 The data indicates that some of the LEPs priority sectors are not well covered by HEIs in the Marches. This could present a challenge for the LEP in the future, particularly as FE provision in the area does not appear to offer qualifications that align well with priority sectors such as defence and security and the visitor economy. Growth in these sectors could be stymied if there is a shortage of suitably qualified workers to take up employment opportunities. This is particularly relevant in the context of growing demand for higher level skills over the coming decade. If HE provision does not play a role in providing the workforce with the adequate skills, the demand for higher level occupations will be unmet.

Table 6.15 Overview of Existing HE providers operating in the Marches

	Summary
Harper Adams University	Harper Adams University is located in Edgmond, Shropshire. In 2013/14, the University had around 2,560 FPE students, the vast majority of whom studied agriculture related courses. Satisfaction at Harper Adams is high: 93% of students were satisfied with their course according to the latest National Student Survey data (2015).
University of Wolverhampton (Telford campus)	The University of Wolverhampton's Telford campus had 75 FPE students in 2013/14. All of these courses were in engineering and technology related qualifications. Overall satisfaction was 82% in 2015, although this is for the institution as a whole.
University Centre Shrewsbury	University Centre Shrewsbury was established by the University of Chester and Shropshire Council. The first postgraduate courses began in autumn 2014, and undergraduate courses started the following year. Current provision is limited, but is mainly focused on science degrees. There are approximately 160 undergraduate students at the University, (2016/17) with the aim to grow to around 2,500 in the next 5-7 years.

Source: HESA and University Centre Shrewsbury

6.82 There are also a small number of FE institutions located in the Marches delivering HE courses. These are outlined in Table 6.16.

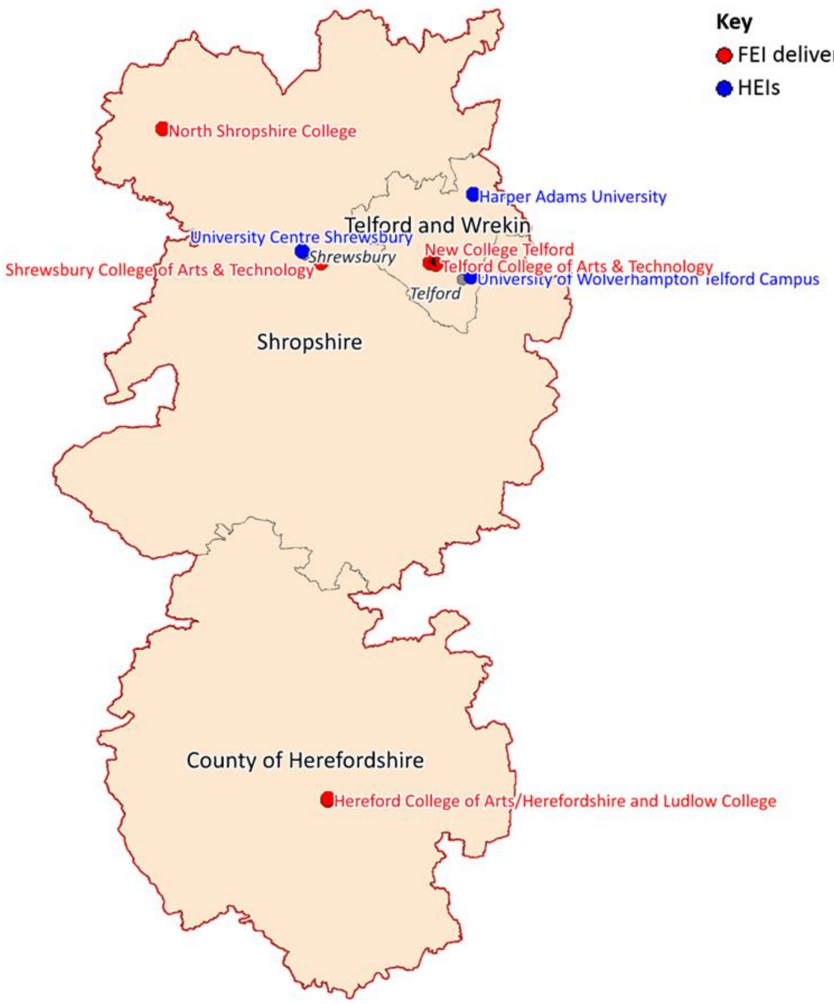
Table 6.16 Overview of Existing FE providers delivering HE courses operating in the Marches, 2013/14

	Number of FPE Students	Main Sector Subject Areas (number of students)
Hereford College of Arts	185	• Creative arts and design courses (185)
Herefordshire and Ludlow College	90	• Social studies (25 students) • Biological sciences (15) • Education (15)
New College Telford	5	• Creative arts and design courses (5)
North Shropshire College	25	• Education (20) • Business and administrative studies (5)
Shrewsbury College of Arts & Technology	65	• Creative arts and design (20) • Engineering and Technology (15)
Telford College of Arts & Technology	160	• Computer science (35) • Engineering and Technology (30) • Social studies (25) • Education (25)

Source: HESA

6.83 Figure 6.27 shows the location of HEIs and the FE providers delivering HE in the Marches.

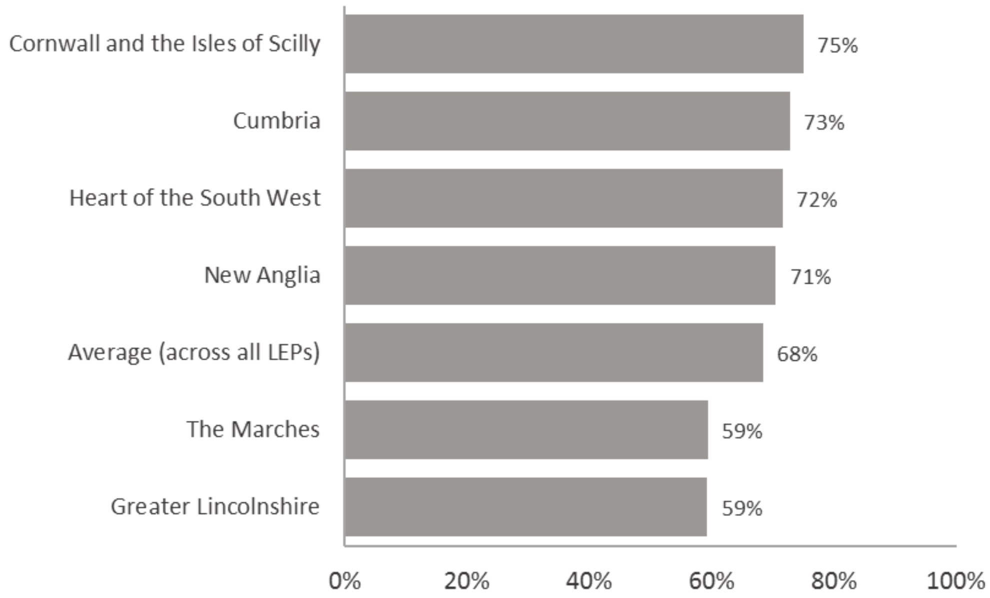
Figure 6.27 Map of HEIs and FE Providers Delivering HE in the Marches



Source: Regeneris Consulting

6.84 Data from the 2012/13 HESA DLHE survey shows that the Marches has a relatively poor graduate retention rate. In 2012/13, 59.4% of graduates living in the sub-region remained in the Marches six months after graduating. This retention rate ranks 33rd out of the 39 LEPs.

Figure 6.28 Graduate Retention Rates across the Marches and comparator LEPs, 2012/13



Source: HESA

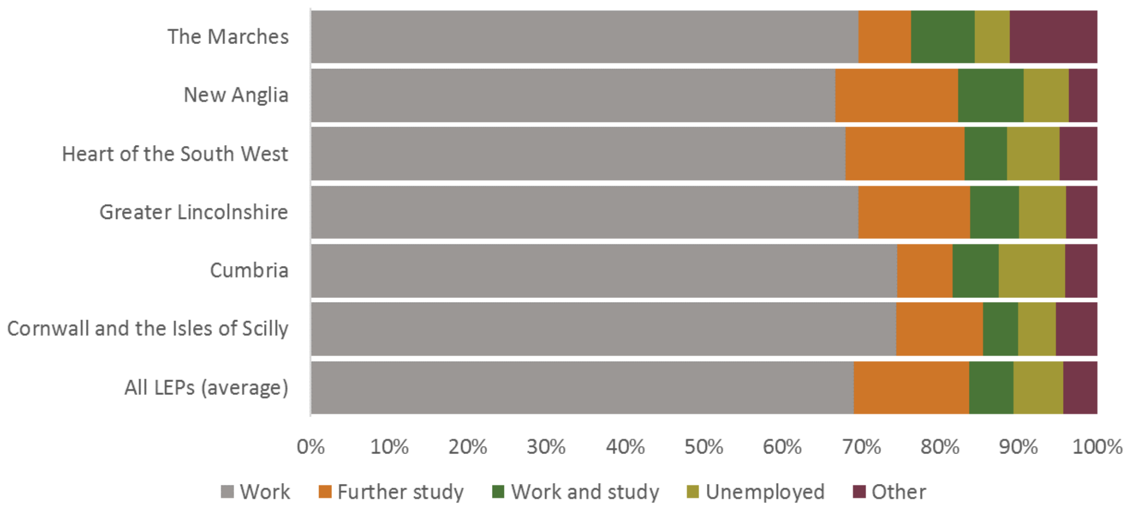
6.85 According to HESA data, 70% of students studying at HEIs in the Marches gained employment upon graduating in 2013/14. This is marginally above the average across all LEPs (69%), but below the corresponding level for graduates that studied in Cumbria or Cornwall and the Isles of Scilly (both 74%). A relatively small number of HE leavers in the Marches opted to study further. This is possibly a reflection of the relatively low level of postgraduate HE provision across the Marches.

Graduate research carried out by Worcester Research in the Marches LEP area in 2016 draws on HEFCE 2013-14 data which identifies the most common degree subjects in the Marches are 'agriculture and related subjects' accounting for 77% of all students. All of these students studied at Harper Adams. Other popular subjects include 'creative arts and design' (7%) and engineering and technology (80%).

Approximately 44% of students who studied at HEIs in the Marches and entered employment entered into the 'agricultural' industry, illustrating the dominance of the agricultural HE offer in the Marches. Amongst students who lived in the Marches area, the most common destination for graduates is 'public sector and support services' (40%).

6.86 The Marches compares well with similar LEPs in terms of HE leavers that enter unemployment following their studies. 5% of leavers studying in the Marches were unemployed after completing their qualification, a lower proportion than leavers studying in Cumbria (8%), Greater Lincolnshire (6%), Heart of the South West (7%) and New Anglia (6%).

Figure 6.29 Destinations of HE students studying in the Marches and comparator LEPs, 2013/14



Source: HESA

HE provision outside the Marches in surrounding areas

6.87 In contrast to the streamlined HE provision in the Marches, which is focused on a limited set of subject areas, the HE provision is areas surrounding the sub-region is more extensive. This is unsurprising, given the presence of a Russell Group university (The University of Birmingham) and well-regarded, established HEIs such as Aston University.

Table 6.17 Overview of Existing HE provision operating outside the Marches

HEI	Summary
Aston University	Aston University is based in Birmingham with 2,685 FPE students registered in 2013/14. The majority of students studied either business and administrative studies or medicinal studies, although most other subjects were catered for. Student satisfaction at Aston University is at 90% in 2015.
Birmingham City University	Birmingham City University had 8,200 FPE students enrolled at the institution in 2013/14. There is a clear specialism in three subject areas: medicine studies, business and administrative studies and creative arts and design. Satisfaction at the University was lower than most HEIs in the area (81% in 2015).
Staffordshire University	Staffordshire University is based in Stoke-on-Trent and also operates a campus in Stafford. Between the two locations, there were around 5,600 FPE students in 2013/14. The majority of students across the two campuses were studied business and administrative studies or biological sciences qualifications, but there is a relatively broad mix of subjects available. Satisfaction was 83% in the latest National Student Survey.

The University of Birmingham	The University of Birmingham is a Russell Group University with around 6,100 FPE students in 2013/14. Although the University does provide a large variety of subject choices, there were large numbers of social studies and engineering and technology students in additional to a considerable number of biological sciences and language students in 2013/14. Student satisfaction is comparatively high according to the NSS (88%).
University of Gloucestershire	The University of Gloucestershire, had 2,300 FPE students registered at its main campus in Gloucester in 2013/14. The vast majority of these students undertook qualifications focusing business and administrative studies, biological sciences and creative arts and design. Satisfaction was 83% in the latest National Student Survey
University of Worcester	The University of Worcester had 3,270 FPE students in 2013/14. The University offers a wide range of courses, with a large proportion of medicine and biological science qualifications, which accounted for around half of all courses. Satisfaction of taught students was 87% according to the 2015 National Satisfaction Survey.
The University of Keele	The University of Keele is located around three miles from Newcastle-under-Lyme in Staffordshire. The 2,800 FPE students in 2013/14 were relatively well spread across most subject areas, although 25% studied medicine related qualifications. Student satisfaction was extremely high in the 2015 NSS (95%).
The University of Wolverhampton	The University of Wolverhampton operates two campuses: the main campus (4,730 FPE students) and a smaller campus in Walsall (1,570 students). Across both campuses, there is a clear emphasis on medicine related qualifications, which accounted for around 20% of all studies in 2013/14. Satisfaction was lower than most HEIs across the West Midlands in 2015 (82%).

Source: HESA

Figure 6.30 Map of HEI Providers in the Marches and outside of the sub-region

Source: Regeneris Consulting

Low levels of HE-Business and Community Interaction

6.88 Higher Education business and community interaction is relatively limited across the Marches, according to HESA. In 2013/14, the two HEIs undertook 18 consultancy contracts, far smaller than the comparator LEPs, including Heart of the South West (604) and New Anglia (594). Similarly, there were no graduate start-up established across the Marches, and no new patent applications were submitted in 2013/14. For these two indicators, the Marches compares poorly with Greater Lincolnshire, Heart of the South West and New Anglia.

Table 6.18 Higher Education Business and Community Interaction, 2013/14

	Consultancy contracts	Graduate start-ups established	New patent applications in year	Spin-offs still active and survived three years
Cornwall and the Isles of Scilly	46	0	0	0
Cumbria	80	0	0	0
Greater Lincolnshire	74	30	9	0
Heart of the South West	604	25	30	24
New Anglia	594	10	13	4
The Marches	18	0	0	0

Source: HESA

Skill Shortages

Learners across the Marches are well equipped

6.89 The Employer Skills Survey (2013) is a national survey undertaken to ascertain skill shortages across the country. The survey was comprehensive and included, but was not limited to, a focus on identifying the reasons for hard to fill vacancies, the incidence of skill shortages by occupation and the particular skills that employers struggle to obtain.

6.90 The survey asked employers to consider any skills shortages for school leavers, college leavers and university graduates. The responses suggest that learners across the Marches LEP are better equipped and more skilled relative to England. In summary:

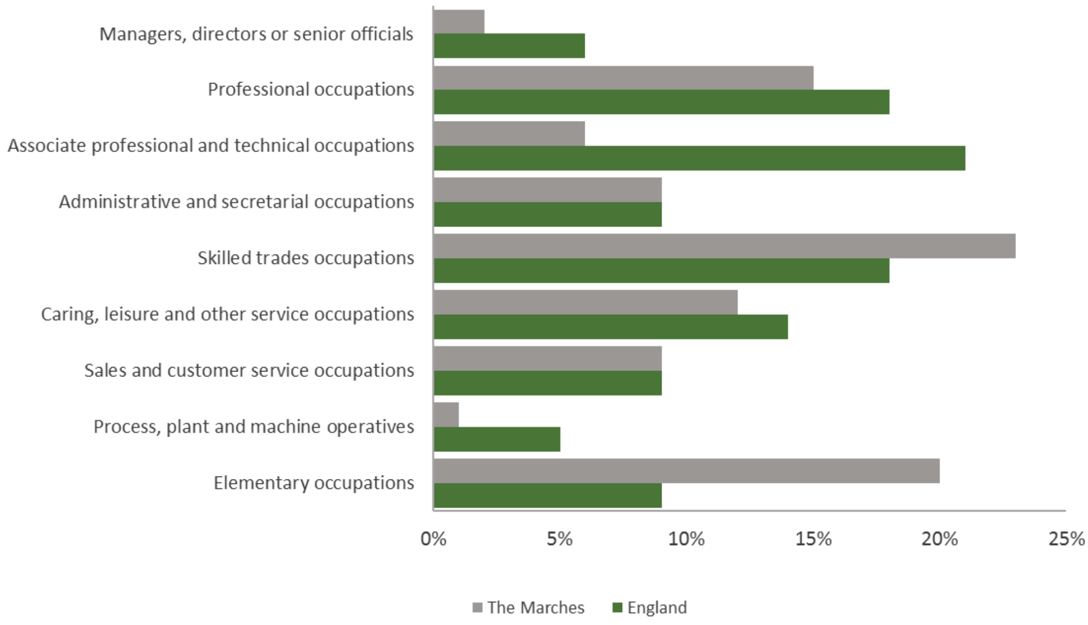
- 73% of employers reported that 16-year-old school leavers had no skills shortages. This exceeds the national average (64%). The most common skills shortages across the Marches were *a lack of working world/life experience* (18%) and *a poor attitude / personality or lack of motivation* (10%). This still compared well to the corresponding figures for England, which were 23% and 18% of skills shortages respectively.
- For skills lacking in college FE leavers, the messages were similar. *A lack of working world/life experience* (12% of skills shortages reported) and *a poor attitude / personality or lack of motivation* (12%) were the most reported skills shortages.
- University graduates were considered to be very well equipped across the Marches. 93% of employers reported no skills gaps, compared to 87% across England. Those skills gaps that were identified were mainly *a lack of working world/life experience* (4% of skills shortages reported) and *a poor attitude / personality or lack of motivation* (4%)

Skills shortages less prevalent in higher level occupations

6.91 Skills shortages that caused vacancies were less common in higher level occupations across the Marches. Only 23% of skills shortage vacancies (SSVs) were reported in this category across the LEP, compared to 45% nationally. By contrast, SSVs were much more prevalent in elementary occupations in the Marches.

6.92 Although these skills shortages are an obvious challenge for the LEP, the Working Futures data suggests that the largest growth in employment will occur in those occupational groups that have relatively low levels of SSVs. Between 2012 and 2022, the largest increases in employment will occur in the three higher level occupations, and caring, leisure and other service occupations. In each of these four areas, the incidence of SSVs is lower than across England.

Figure 6.31 Incidence of Skills Shortage Vacancies by Occupation in the Marches LEP and England, 2013



Source: UKCES

6.93 The survey also asked respondents to identify the skills that need improving in those occupations with skills gaps. In summary:

- *Technical or practical skills or job specific skills* were the most commonly cited skills shortage across the Marches LEP (60% of respondents). This is consistent with the findings across England (60% of respondents).
- *Planning and organisation skills* (51% of respondents) and *customer handling skills* (45%) were also widely reported.
- *Personal attributes* (3% of respondents) and *a lack of experience or product knowledge* (2%) were by far the least reported skills shortages.

6.94 A survey of businesses across the Marches in 2016[47] drew similar results. *Technical or practical skills or job specific skills* were the most widely reported skills shortage (58% of respondents). *Managerial skills* (28% of respondents) and *planning and organisation skills* (reported by 27% of respondents) were also commonly cited skills shortages. The prevalence of managerial skills shortages is a concern, particularly as Working Futures data for the LEP area suggests that demand for higher skilled occupations will rise between 2012 and 2022.

[47] Marches LEP Business Survey 2016. The survey was designed by Regeneris Consulting and distributed by the Marches LEP. The aim of the survey was to understand employers' skills needs and their perceptions of barriers to growth. The survey was completed by 144 respondents.

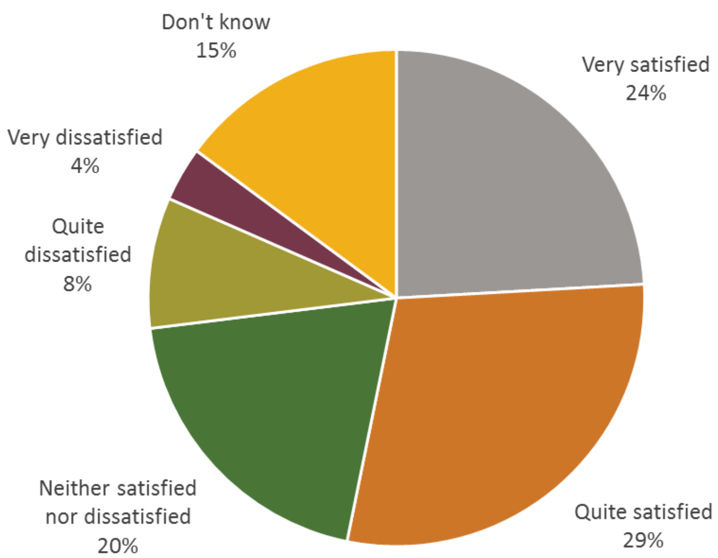
6.95 Business investment in staff training across the Marches is in line with the general picture across England, according to UKCES.[48] The data reveals that 64% of businesses arranged training for staff over the past 12 months, compared with 66% across England. Across the LEP area, 62% of workers received training, which is the same as the proportion across England. However, each person in the Marches received an average of 7.1 days of training compared with 6.7 days on average in England.

6.96 For those employers that did not provide training, the feedback suggests that training was not provided because staff are suitably qualified to continue within their job role, rather than because of a lack of resources or training budget. Only 5% of businesses in the Marches reported that training was not provided because of a lack of available funds compared with 10% nationally. Businesses across the Marches were more likely to report that training providers specialising in the required area are not available: 8% of respondents from the Marches stated that training in the relevant subject area was unavailable compared with 5% of respondents across England.

6.97 The Marches LEP Business Survey 2016 revealed that 74% of businesses had arranged training for their employers over the past 12 months. For those businesses that did not arrange training, the feedback centred around the same common themes as reported in the UKCES Employer Skills Survey: staff are suitably qualified, a lack of money available for training, and a shortage of relevant courses available locally.

6.98 The Business Survey (2016) also suggested that satisfaction among Marches businesses with current training provision is relatively low. Only 53% of survey respondents were either *satisfied* or *very satisfied* with their current provider. This implies that there is scope for improvement, as almost half of all respondents are not satisfied with current provision.

Figure 6.32 Satisfaction with Current Training Provider, 2016



Source: Marches LEP Business Survey 2016. N=141.

[48] Marches LMI Summary, UKCES, page 5.

6.99 Despite the investment in training and staff development, employer engagement indicators ("cold spots") suggests that there is scope for improvement across the Marches. According to the Employer Perspective Survey, 28% of businesses across the LEP area had a work experience student over the previous 12 months (ranked 21st out of 39 LEPs), and 16% reported that they had offered some form of work inspiration over this time period (ranked 39th out of 39 LEPs).

Skills shortages are highest in two important sectors

6.100 The UKCES Employer Skills Survey (2013) also provides an indication of the skills shortages by sector. The data shows that, generally, skills shortages were highest in the manufacturing sector and the health and social work sector.

6.101 Of the vacancies in the health and social work sector, 32% were SSVs, the highest of all the sectors across the LEP. By comparison, 20% of vacancies across all sectors were SSVs. Similarly, across the Marches 13% of companies reported some staff that were not fully proficient. In the manufacturing industry and the health and social work sector, 18% and 21% of respondents identified staff that were not fully capable.

6.102 This is challenging for both sectors for contrasting reasons. The manufacturing sector represents one of the LEP's priority sectors, and growth in the industry could be hampered by a lack of skills in the workforce. The health and social work sector will become more important to the Marches in the context of an ageing population expected over the following decades.

Meeting the Skills Needs of Current SEP Priority Sectors

Agri-Technology/Food Manufacturing and Processing

6.103 The Hereford Enterprise Zone Food and Drink Sector Market Research Report[49] suggests that education provision in the Marches is well placed to equip learners with the necessary skills. Despite this, the report does highlight the need for the Marches to develop a new workforce in the areas delineated in the Green Food Report project, including technical disciplines such as food and science and technology and engineering (page 16).

6.104 The Marches is able to provide a low-skilled and semi-skilled workforce that is seen to have a positive and motivated attitude, according to the Marches LEP Food and Drink Inward Investment report[50]. The document acknowledges that the Marches faces the challenges of workforce attraction and retention, and this could present challenges for higher skilled employment across all sectors including the food and drink industry.

6.105 Both the Agriculture and Food and Drink industry are characterised by relatively low representation of Level 4+ qualifications. According to UKCES data for the Marches, 23% and 30% of Food and Drink and Agriculture workers respectively held a Level 4 qualification or above in 2012, compared to 35% across all industries in the LEP area. The low proportion of workers in the Food and Drink sector was mainly driven by the qualifications profile in the Food, drink and tobacco sector and the Transport and Storage sectors. In these two industries, only 20% and 18% of workers held Level 4 qualifications or above.

[49] Food and Drink Sector Market Research Report, Hereford Enterprise Zone, December 2012.

[50] The Marches LEP Food and Drink Inward Investment – The Marches Offer, Ask for Research, April 2013.

6.106 The qualifications profile of the Agriculture and the Food and Drink industry is linked to the occupational breakdown of the two sectors: both industries feature low proportions of higher skilled occupations. Across the Marches, 37% of workers across all industries were employed in higher level occupations in 2012, according to UKCES data. By contrast, only 14% and 17% of workers in the Agriculture and Food and Drink industry respectively were employed in these occupations.

6.107 According to the latest UKCES Working Futures data, total employment across the three sectors that comprise the food and drink sector is likely to fall marginally by 400 jobs between 2012 and 2022. This is mostly driven by decreases in the *agriculture* sector (-2,200, or 15%). By contrast, employment in the *food, drink and tobacco* industry will rise by 600 jobs (5%), and the number of jobs in the *transport and storage* sector will grow by 1,200 or 10%.

Table 6.19 Forecast Employment Change in the Food and Drink Sector, 2012-22

	The Marches		England
	Employment change	% change	% change
Agriculture	-2,200	-15%	-20%
Food, drink and tobacco	600	5%	6%
Transport and Storage	1,200	10%	7%
Total	400	-1%	0%

Source: UKCES Working Futures data

Advanced Manufacturing

6.108 Changes in the advanced manufacturing market are expected to have profound implications for the skill needs of the sector in the near future. The increasing competitiveness in the industry is increasing the pressures upon manufacturing businesses to deliver unique and innovative products. In particular, there is increased demand for newer technologies, such as robotics and 3D printing. At the same time, manufacturing firms are required to adapt and react more responsively to emerging market opportunities.

6.109 The need for firms to invest in more innovative and sophisticated production processes is increasing the demand for higher level skills, and for higher level occupations with the necessary strategic management skills to implement the necessary measures to maintain business competitiveness.

6.110 The UKCES Employer Skills Survey (2013) reported that skills shortages in the manufacturing sector are relatively prevalent in the Marches. Across all industries across the sub-region, 13% of firms reported employees that were not proficient compared with 18% of manufacturing firms.

6.111 The Hereford Enterprise Zone Advanced Engineering Sector Market Research Report[51] identified skills shortages across science, technology, engineering and manufacturing sectors across the Marches. The report states that, although FE and HE provision in the Marches does offer some science based programmes, future skills development will depend upon whether these providers can respond to growing needs of these sectors. The report does not highlight any particular skills shortages but does state that the advanced engineering industry could benefit from strategic development and further collaboration between employers and HEIs.

[51] Advanced Engineering Sector Market Research Report, Hereford Enterprise Zone, January 2013.

6.112 The Marches LEP Growth Plan[52] for the Advanced Engineering and Manufacturing sector in Telford and Wrekin provides some evidence of more specific skills shortages. The Plan reveals that there are gaps in particular engineering and management and business skills (such as tool makers and technical engineers). There are also some instances of numeracy and literacy deficiencies. At a sub-sector level, the document also states that there is greater demand for higher end skills in the *aerospace* sub-sector, but the supply of young people is thought to be insufficient to meet this. The *food manufactures and FMCG* sub-sector could also face a skills shortage, although this is due to lack of interest: the Growth Plan reports that British people are "unwilling to take jobs in food harvesting or processing" (page 28).

6.113 The qualifications profile of the manufacturing sector compares poorly with the average of all industries across the Marches. Across the sector as a whole, 28% of the manufacturing workforce held a Level 4+ qualification in 2012. For the two sectors that constitute manufacturing, 33% and 27% of workers in engineering and the rest of manufacturing held a Level 4 qualification or above respectively.

6.114 UKCES data shows that the proportion of higher level occupations in the engineering workforce (38%) is marginally above the corresponding proportion for the Marches. Conversely, the proportion in the rest of manufacturing workforce (32%) is below the average across the sub-region. Overall, across both sectors, 31% of workers were employed in higher level occupations.

6.115 UKCES Working Futures data for the Marches suggests that employment in the manufacturing sector will decline between 2012 and 2022, although this is not a specific reference to advanced manufacturing or automotive manufacturing, and reflects changes to the *engineering* and *rest of manufacturing* sectors. Across the two sectors, employment will fall by around 2,000, largely fuelled by decreases in the *rest of manufacturing*.

Table 6.20 Forecast Employment Change in the Manufacturing Sector, 2012-22

	The Marches		England
	Employment change	% change	% change
Engineering	-600	-8%	-10%
Rest of Manufacturing	-1,400	-6%	-9%
Total	-2,000	-6%	-9%

Source: UKCES Working Futures data

Defence and Security

6.116 The spending reductions implemented by the previous Coalition Government have increased competitive pressures in the Defence and Security sector according to a review of the industry in the Marches[53]. The changing needs in the market will also influence the industry's future skills requirements: as defence needs become increasingly cyber-led or cyber-based, there will be a growing emphasis on high-tech manufacture and the role of science and technology. As part of a strategy to develop the workforce, the review recommends encouraging greater participation in advanced and higher level apprenticeships.

52 The Marches LEP Growth Plan for the Advanced Engineering and Manufacturing sector in the Borough of Telford and Wrekin, PA Consulting Group, December 2012.

53 Defence and Security in the Marches, Defence and Security Sector Market Research Report, Hereford Enterprise Zone, December 2012.

6.117 The review document also highlights a relative weakness of the Marches economy: there are no academic or research centres focused on Defence and Security. Despite this, the report does identify potential scope for collaboration with geographically close centres such as Aston University.

6.118 Working Futures data for the Marches LEP provides information for the public administration and defence industry rather than the Defence and Security sector. The data shows that 54% of the Public Administration and Defence workforce was employed in higher level occupations in 2012. This was driven by an uncharacteristically high proportion of associate professional occupations, which constituted 32% of total employment.

6.119 The qualifications profile of the industry also compares well with the Marches economy as a whole, and is well skilled. According to UKCES data, 47% of workers in the Public Administration and Defence industry held higher level qualifications (Level 4+), and only 2% had not attained any qualifications.

6.120 Between 2012 and 2022, the number of jobs in this sector is expected to fall by 700 (-5%). This is indicative of the wider picture across England, where the number of jobs in the Public Administration and Defence sector is expected to fall by 8%.

Table 6.21 Forecast Employment Change in the Public Administration and Defence Sector, 2012-22

	The Marches		England
	Employment change	% change	% change
Total	-700	-5%	-8%

Source: UKCES Working Futures data

Visitor Economy

6.121 The UKCES Sector Skills Insight for the Tourism sector[54] identifies a number of key drivers of skills demand nationally:

- Government policy, regulation and legislation:
  - Migration: traditionally the sector has relied upon migrant labour from outside the EU. The report suggests that government policy is likely to restrict migration from outside the EU to skilled labour.
  - Government expenditure and constraints: less resources are likely to be invested in sector-specific schemes and this is likely to force employers to invest greater funds in their own training procedures.

6.122 The sector is undergoing technological advancements, such as online booking and mobile technology, online customer relationship management, data security, and enhancing the customer experience (the introduction of smart card technology, faster broadband, flat screen TVs in budget hotel chains). This will increase the need for technology professionals, particularly in larger organisations, and managers with the necessary technology knowledge to implement these changes.

[54] Sector Skills Insight: Tourism, Evidence Report 55, UK Commission for Employment and Skills, August 2012.

6.123 Consumer demand in the tourism industry is shifting towards more sophisticated preferences, including more experience driven holidays and higher quality restaurant dining options. This required customer service skills will be of great importance, and managers will need to be flexible and alert to adjust to these changing requirements.

6.124 The expected demographic changes to the population (an ageing population with a greater population of 45-64 year-olds and over 65s) will influence the customer service skill requirements across the sector. These age cohorts, especially the retired population, generally enjoy higher levels of disposable income and are generally more complex in their preferences. This will place greater emphasis on customer service skills.

6.125 The majority of skills shortages in the tourism sector are in elementary occupations (56% of skills gaps). Nationally, the most common cause of skills shortages in the tourism sector was a low number of applicants with the required skills (reported by 30% of tourism businesses).

6.126 The Working Futures data for the Marches provides an occupational breakdown and a qualifications profile for the Accommodation and food sector.

6.127 There is a relatively low proportion of higher skilled occupations in the Accommodation and food sector (23%), and an extremely high proportion of lower level occupations, particularly elementary occupations (43%). The Working Futures data shows that the proportion of elementary occupations will remain at a similar level between 2012 and 2022, although the proportion of higher skilled occupations is expected to rise to around 27%.

6.128 The sector features a high proportion of workers with Level 1 and Level 2 qualifications: 62% hold either a Level 1 or Level 2 qualification compared with 45% across all industries in the Marches.

6.129 According to the Working Futures data, employment growth in the Accommodation and food sector in the Marches will be marginally lower than the rise across England. Between 2012 and 2022, the number of jobs in the Accommodation and food sector will rise by 1,100 or 5%, compared with 6% growth nationally.

Table 6.22 Forecast Employment Change in the Accommodation and Food Sector, 2012-22

	The Marches		England
	Employment change	% change	% change
Total	1,100	5%	6%

Source: UKCES Working Futures data

Environmental Technologies and Services

6.130 Like many sectors, the green economy faces the challenge of replacing an ageing workforce, particularly professionals in engineering roles. A Government report[55] revealed that businesses in the green economy often cite a lack of STEM skills in the workforce as a major barrier to growth.

6.131 To support growth in the green economy, the document outlines the following skills requirements for the sector:

- **Skills supporting resource efficiency**: strategic business management skills will be required to build resource-efficient business models. Specialist skills will be needed to design and adopt technologies, products and processes increasing resource efficiency.

[55] Skills for a green economy: A report on the evidence, HM Government.

- **Skills supporting low carbon industry:** there will be a large demand for knowledge and specialist skills to drive growth in this industry. For example, the sector will require scientists and engineers with training or transferable knowledge for nuclear and renewable energy, and technicians with the expertise to install energy efficiency measures. There will be a need generally for workers that have the necessary knowledge to design and adopt technologies, products and processes to minimise carbon emissions.
- **Skills supporting climate resilience:** the need for scientific expertise is also relevant here (to model and interpret climate change projections), as well as generic skills and awareness to improve climate resilience.
- **Skills to manage natural assets**: the skills required to protect and manage the natural assets include accounting services for the natural environment and an understanding of environmental impact assessments.

6.132 The report suggests that market failure and barriers exist that could prevent skills development in the green economy. These include:

- Imperfect information: businesses are unaware that they have a skills need and/or do not realise the potential benefits of skills development in the workforce.
- Organisational risk aversion: companies are unwilling to risk large resources investing in skills development without government intervention.
- Businesses often have a preference for short-termism and often fail to fully acknowledge the benefits of a longer-term investment.

7. Conclusions

Key Issues and Challenges

7.1 The Evidence Base Refresh has identified the key issues and challenges for the SEP to address in each theme area of analysis. The central challenges are highlighted:

- A growing GVA gap which is driven by below average skills and under-representation of economic activities that contribute most to Gross Value Added.
- A demographic challenge to maintain the working age population of the Marches which will be needed to meet projected demand for labour in the future.

7.2 The Marches needs to attract higher skilled individuals and people in higher level occupations to drive its economic restructuring. These individuals are relatively mobile and competition for them is strong from neighbouring areas. The Marches does not have the volume of people in these skill sets to cope with churn and peaks in demand without displacing activity from other businesses. How to attract and retain these individuals to improve the resilience of the economy is the key challenge for the Marches to address.

7.3 Strategies such as business support, enterprise and innovation and skills development have an important role to play in facilitating growth in the Marches business base and driving up productivity. These will have maximum impact when explicitly targeted at identified sectors to achieve their potential.

7.4 The analysis of the Marches' labour force and skills position reveals strong performance on indicators such as economic activity, employment and unemployment. However, pockets of unemployment, benefit dependency and economic activity do exist. Youth unemployment and especially the number of young people not in education, employment or training (NEET) is a challenge in some areas. It is important that barriers to effective participation are addressed.

7.5 Hard to fill vacancies and skill shortages appear to already be having an impact on business competitiveness. Demand for higher level skills is anticipated to grow in the future and it is vital that education providers can respond to these needs, alongside interventions aimed at attracting and retaining the economically active and higher skilled.

7.6 The physical infrastructure to support economic growth in the Marches needs to stay one step ahead of the area's growth needs. This includes:

- the provision of new housing to meet demand, including affordable housing
- employment sites and premises to meet business needs
- access to and speed of broadband and mobile coverage
- and, transport infrastructure, particularly road networks.

Progress against targets

7.7 To date, progress against the current target of 70,000 homes by 2031 has been modest, with only 15% of the target (7,920) achieved. Whilst there enough sites have been identified in the three Local Plans to meet this target, a number of barriers stand in the way of investment (access, servicing costs and developer confidence). Housing affordability is also an important consideration when seeking to attract and retain working age residents, especially young and first time buyers.

7.8 The combined employment land targets set out by each Local Planning Authority total 514 hectares of which 16% has been delivered to date. The current SEP establishes a jobs target of 41,000 to be achieved between 2011-2031 which is derived on the basis of planned sites being developed across the sub-region. It is not possible to obtain employment figures for the number of jobs created at the sites developed to date, however employment in the Marches as a whole has grown by 12,300 between 2011-2014 (BRES) accounting for 30% of the target.

Tracking Indicators

7.9 The following table suggests a series of tracking indicators to consider progress of the Marches economy against. Table 7.1 summarises the main indicators that will help to measure performance in the Marches. The indicators are aimed at measuring progress against the identified challenges facing the LEP.

Table 7.1 Demography: Baseline Position and Measures of Progress

	Indicator	Baseline Position	Source	Frequency of Update
Demography	WAP As % Of Population	61%	ONS Mid-Year Estimates (2014)	Annual
	Population Density (People Per Sq. Km)	118	ONS Mid-year Population Estimates and ONS UK Population Density	Annual
	NI Registrations By Overseas Nationals	5,600	DWP, NI Allocations to Overseas Nationals Entering the UK, 2015	Quarterly
Economic Performance	Number Of Jobs	267,000	ONS, Business Register and Employment Survey, 2014	Annual
	Employment Rate	77%	Annual Population Survey 2015	Monthly
	Business Counts	29,800	ONS, UK Business Counts, 2015	Annual
	GVA	£12.3bn	ONS, Regional GVA, 2013	Annual
	GVA Per Head	£18,600	ONS, Regional GVA, 2013	Annual
	Private Sector Jobs As % Of Total	82%	ONS, Business Register and Employment Survey, 2014	Annual
Enterprise and Innovation	Business Start-Up Rate Per 1,000 Population	1.5	ONS, Business Demography 2014	Annual
	Business Survival Rate (At Least 2 Years)	78%	ONS, Business Demography 2014	Annual
	Self-Employment Rate	17%	ONS, Annual Population Survey 2015	Monthly
	Enterprise Rate Per 1,000 Population	45	UK Business Counts 2015; ONS Population Estimates 2015	Annual
	Inward Investment: No. Attracted Projects	16	UKTI	Annual
	% Of Firms Engaging In R&D	14%	UK Innovation Survey 2013	Every two years
	Business Expenditure On R&D Per Employee	£202	ONS, BERD 2013 (LEP level data from BIS)	Annual
Physical Infrastructure	Number Of New Homes	7,920	Annual Monitoring Reports for each local authority, 2011-2015	Annual
	Employment Land Development	81.32ha	Annual Monitoring Reports for each local authority	Annual
	Superfast Broadband Coverage	65%	Ofcom Connected Nations 2015	Annual
	4G Signal From One Operator Coverage	32%	Ofcom Connected Nations 2015	Annual
	Percentage Of Users Of Internet	84%	ONS Internet Survey Q1 2015 (Last 3 Months)	Qtrly
Labour Market and Skills	% With Level 4+ Qualifications	35%	Annual Population Survey (Dec. 2014)	Annual
	% Of Workers In Higher Skilled Occupations	39%	Annual Population Survey (Dec. 2014)	Annual
	% Of Establishments That Have Skill Gaps	13%	UKCES Employers Skills Survey (2013)	Bi-Annual
	% Of Employers With One Or More SSVS	3%	UKCES Employers Skills Survey (2013)	Bi-Annual
	No. Of Apprenticeship Starts	7,600	SFA (Q4 2014/15)	Quarterly
	% Of Employers Providing Apprenticeships	9%	UKCES Employer Perspectives Survey (2013)	Bi-annual

Appendix A - Marches LEP Business Survey

In February 2016, the Marches LEP invited businesses across the LEP area to participate in a web-based survey to better understand employers' perceptions about barriers to growth, skills shortages and their current training provision. The survey was designed by Regeneris Consulting and distributed by the three local authorities within the Marches via their respective business databases, and by direct invitation to members of the three business boards in the LEP area.

Overall, the survey received 144 responses.

Profile of Survey Respondents

A.1 The survey asked respondents some general questions about their business's characteristics. This included their approximate annual turnover, number of employees, the location of their customers and the sectors in which the company trades.

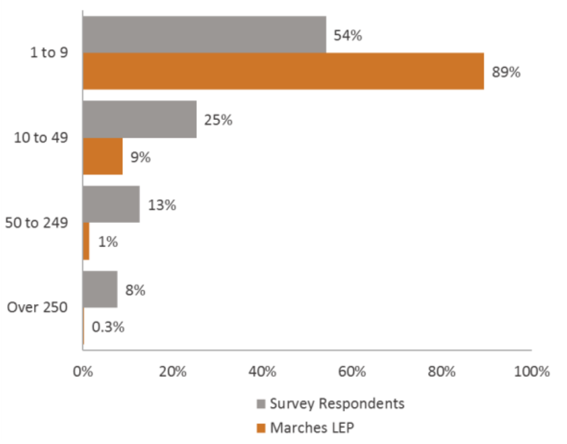
A good mix of smaller and larger business views

A.2 54% of respondents were micro-sized businesses (firms employing between 0 and 9 people). Although over half of respondents were micro-sized, the survey was able to represent the views of larger organisations and, overall, there was an encouraging mix of smaller and larger businesses that responded to the survey. A quarter of respondents were small businesses, and over 20% were medium or large businesses.

A.3 The breakdown of respondents reflects the business landscape across the Marches to some extent: the vast majority of businesses in the Marches (89%) are micro-sized businesses, according to the latest ONS Business Count data (2015). The survey results suggest that micro-sized businesses are under-represented in the survey and, consequently, there is a larger proportion of small, medium and large businesses represented in the survey compared with the LEP area.

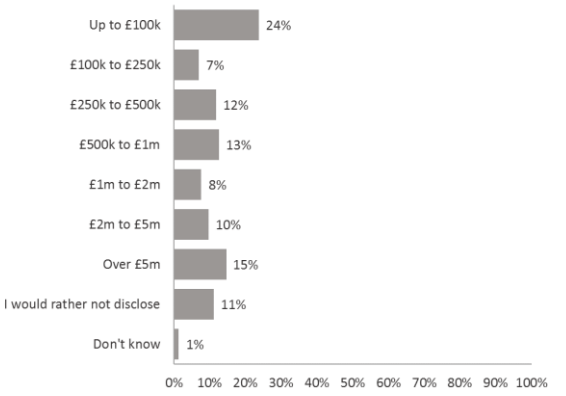
A.4 Most respondents reported relatively modest annual turnover figures, and almost a quarter stated a turnover of less than £100k. This reflects the large concentration of smaller businesses that responded to the survey.

Figure A.1 Breakdown of Respondents and Businesses in Marches LEP by Employment Size



Source: Marches LEP Business Survey 2016 (N=142) and ONS Business Count.

Figure A.2 Breakdown of Respondents by Approximate Annual Turnover



Source: Marches LEP Business Survey 2016. N=143.

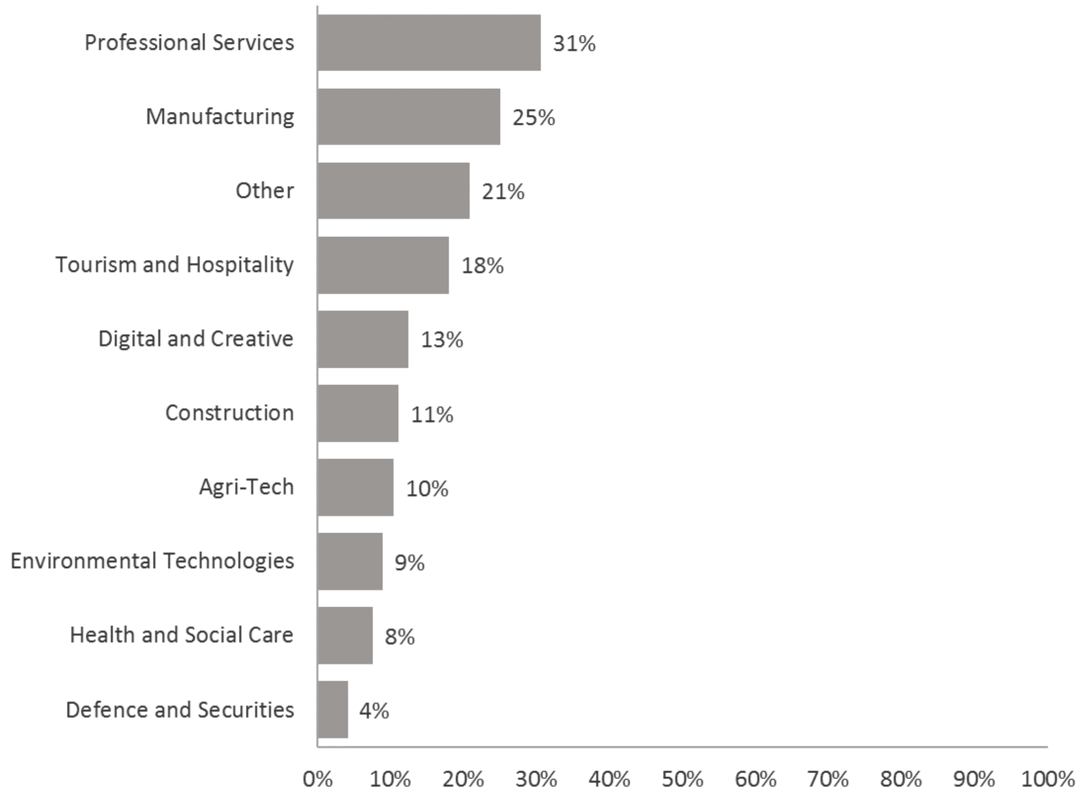
The majority of respondents operate in LEP's current priority sectors

A.5 Most respondents specialised and traded in one sector: 95 respondents (66%) reported that they operated within one industry.

A.6 A number of businesses reported that they traded in industries closely associated with the Marches LEP's priority sectors[56]. A total of 76 respondents (53%) operated in at least one of the following industries: Manufacturing, Agri-Tech, Defence and Securities, Tourism and Hospitality, Health and Social Care, and Environmental Technologies.

[56] The priority sectors for the Marches LEP are: Food and Drink, Agri-Technology, Defence and Security, Advanced Manufacturing, Automotive Manufacturing, Visitor Economy, and Environmental Technologies and Services. See Appendix C of the Marches LEP Strategic Economic Plan.

Figure A.3 Breakdown of Survey Respondents by Sector

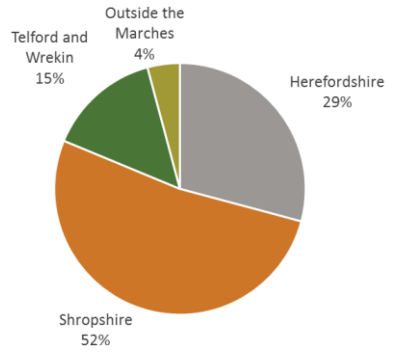


Source: Marches LEP Business Survey 2016. N=144.

Shropshire and Herefordshire well-represented

A.7 The majority of businesses that completed the survey were primarily based in Herefordshire (29%) or Shropshire (52%). Only a small number of respondents stated that their main trading location was in Telford and Wrekin (15%), while a handful of businesses operated outside of the Marches (4%). The high concentration of businesses in Herefordshire and Shropshire closely resembles the distribution of businesses across the LEP: the latest ONS business count data (2015) shows that 84% of businesses in the Marches were located in the two districts.

Figure A.4 Breakdown of Survey Respondents by Main Trading Location



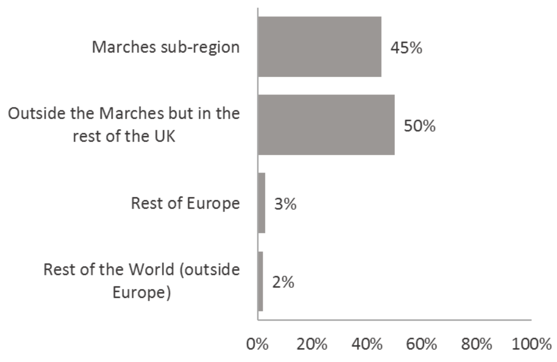
Source: Marches LEP Business Survey 2016. N=144.

Over half of businesses trade outside of the Marches

A.8 A reasonable proportion of businesses reported that the majority of their customers were located in the Marches. This partly reflects the large number of micro-sized businesses that responded to the survey, and the relatively large geography of the LEP area. Despite this, over half of respondents traded outside of the Marches, but in the rest of the UK.

A.9 There was a small proportion of respondents that mainly operated outside the UK: 3% of respondents mainly trade in the rest of Europe, and 2% traded further afield.

Figure A.5 Breakdown of Survey Respondents by Location of Majority of Customers



Source: Marches LEP Business Survey. N-144.

Enthusiasm for more involvement with the LEP

A.10 The survey asked respondents whether they would like more information about opportunities to become more involved in the Marches LEP's activities. The feedback was relatively encouraging: 70% of respondents stated an interest in receiving more information.

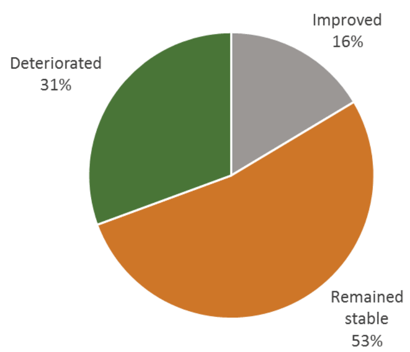
Recent Business Performance

Poor business performance over last 12 months

A.11 The survey asked respondents to report whether their business had grown, remained stable or declined over the past 12 months.

A.12 The survey feedback highlighted a worrying trend in business performance across the Marches. Although 53% of respondents reported that their business's performance had remained stable, almost one third (31%) of businesses stated that their firm had declined over the past year. By contrast, only 16% of businesses reported an improvement over the previous 12 months.

Figure A.6 Business Performance of Respondents over past 12 months



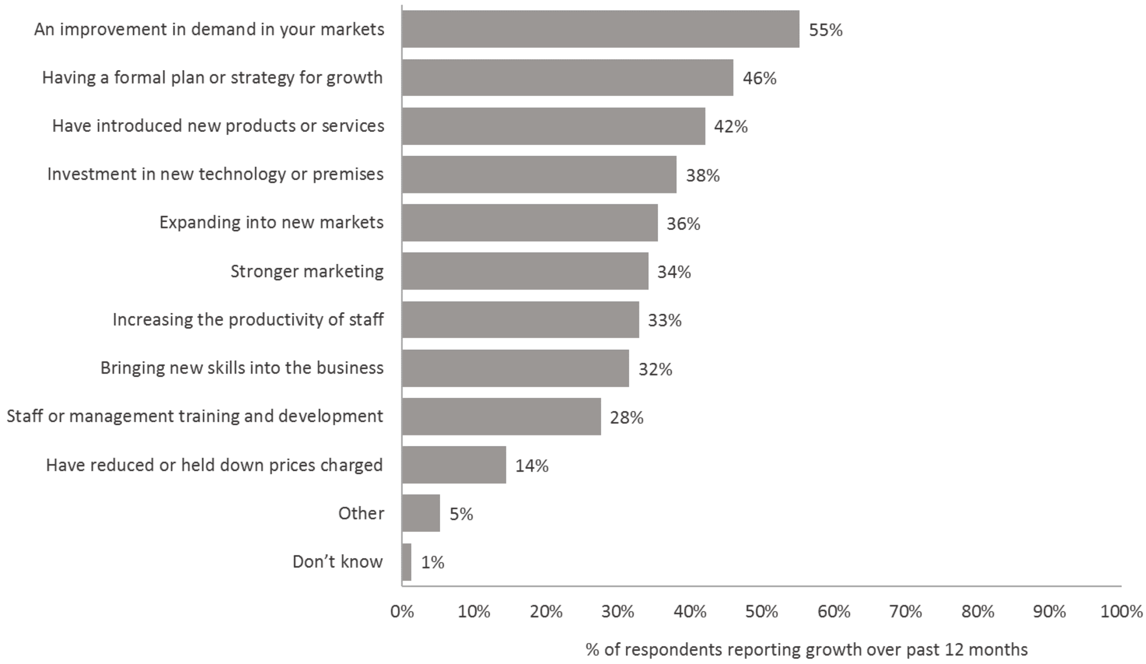
Source: Marches LEP Business Survey 2016. N=144.

Increased demand a key driver of growth for business reporting performance improvements

A.13 To understand the important factors affecting business performance, the survey asked respondents to identify the fundamental reasons for their growth or decline.

A.14 *An improvement in demand in markets* was the most commonly cited reason for business improvement, reported by 55% of respondents. *Having a formal plan or strategy for growth* (46% of respondents) and *introducing new products or services* (42%) also featured prominently.

Figure A.7 Important factors driving growth for those respondents reporting business performance improvements

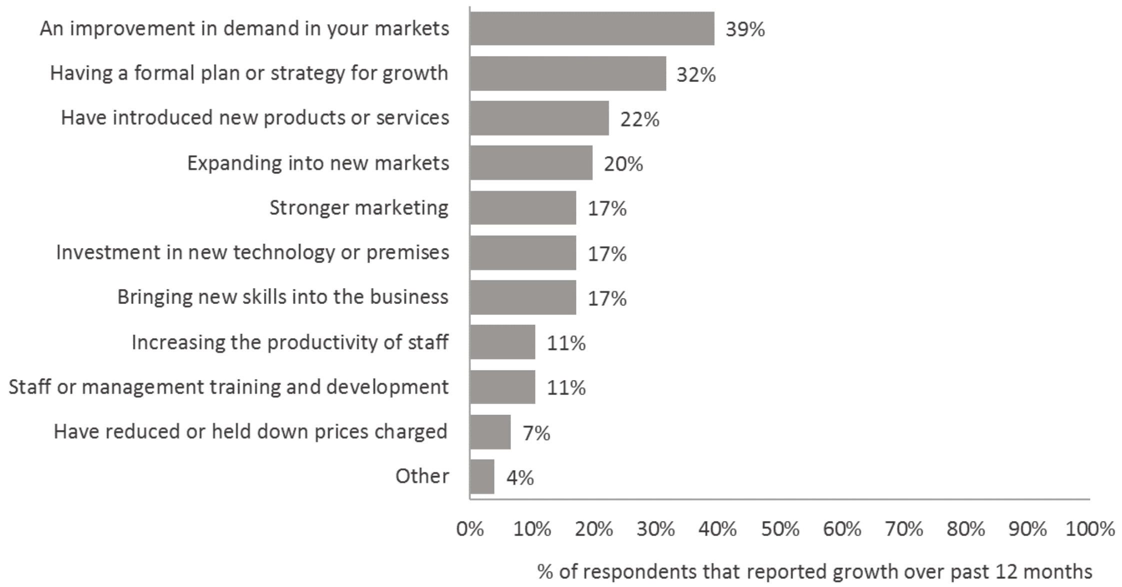


Source: Regeneris Consulting Business Survey 2016. N=76.

A.15 Respondents were then asked to rank the five most important factors driving growth. Some respondents gave more than one option the same ranking. We have assumed that the respondent placed an equal importance on the two options.

A.16 Figure A.8 shows the proportion of respondents that ranked each option as either the 1st or 2nd most important factor driving growth. *An improvement in demand in markets* was the most important factor, ranked 1st or 2nd most important by 39% of respondents reporting growth over the past 12 months.

Figure A.8 Proportion of Respondents selecting factors leading to growth as either 1st or 2nd most important



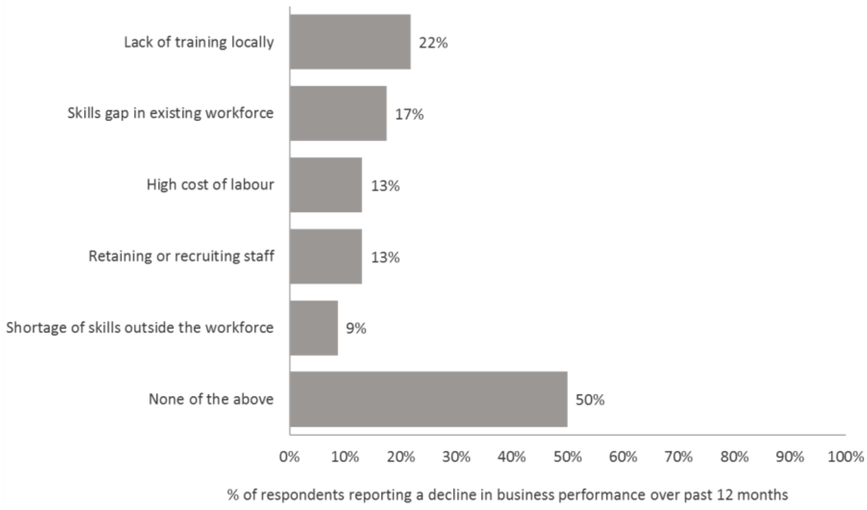
Source: Marches LEP Business Survey. N=76.

A.17 Survey feedback for the factors contributing to a decline in business performance was less conclusive, although the sample size is relatively small.

A.18 *A lack of training locally* was the most prominent factor causing business performance to decline over the past 12 months, and almost one fifth of businesses cited skills shortages in the existing workforce.

A.19 The majority of respondents identified one single factor that resulted in their business's decline in the past year. Five respondents reported multiple factors, and were asked to select the important factor: two respondents each reported *a shortage of skilled in the workforce* and *retaining or recruiting staff challenges*, and one respondent cited *a lack of training locally*.

Figure A.9 Important factors causing business performance decline for those respondents reporting business performance deteriorations



Source: Regeneris Consulting Business Survey 2016. N=23.

Future Aspirations

Businesses aiming for growth in short-term

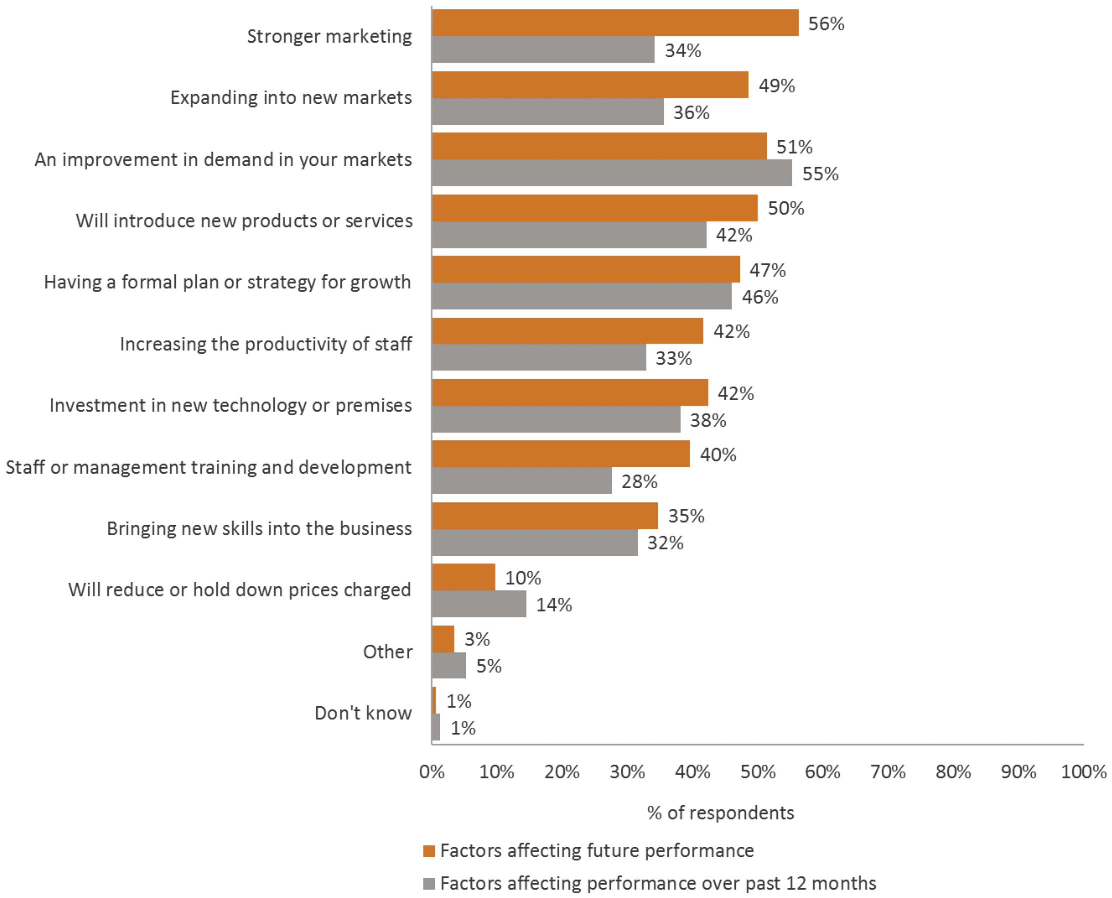
A.20 The survey then focused upon business objectives over the next 2-3 years and asked if respondents were aiming to grow turnover, employment or productivity. All businesses reported that they wanted to increase turnover, and 98% of respondents wanted to grow employment or productivity.

Some differences between drivers of recent growth and future growth

A.21 Respondents were then asked to identify drivers of future business growth. There were some differences between those factors that had led to growth over the past 12 months and anticipated future growth in the next 2-3 years. In summary:

- The most commonly reported cause of future growth was *stronger marketing.* 56% of respondents expected this to be an important driver for growth over the next 2-3 years compared with 34% of respondents that identified it as an important factor for growth over the past year.
- It would appear that businesses across the Marches anticipate entering new markets in the coming years: 49% of respondents perceived *expanding into new markets* to be a driver of future growth compared with 36% of respondents that had growth over the past 12 months.
- Overall, 55% of businesses stated that *an improvement in demand in markets* had contributed to growth over the past 12 months and a further 51% considered it to be a stimulant of future growth.

Figure A.10 Comparison of factors affecting future performance and factors affecting past performance

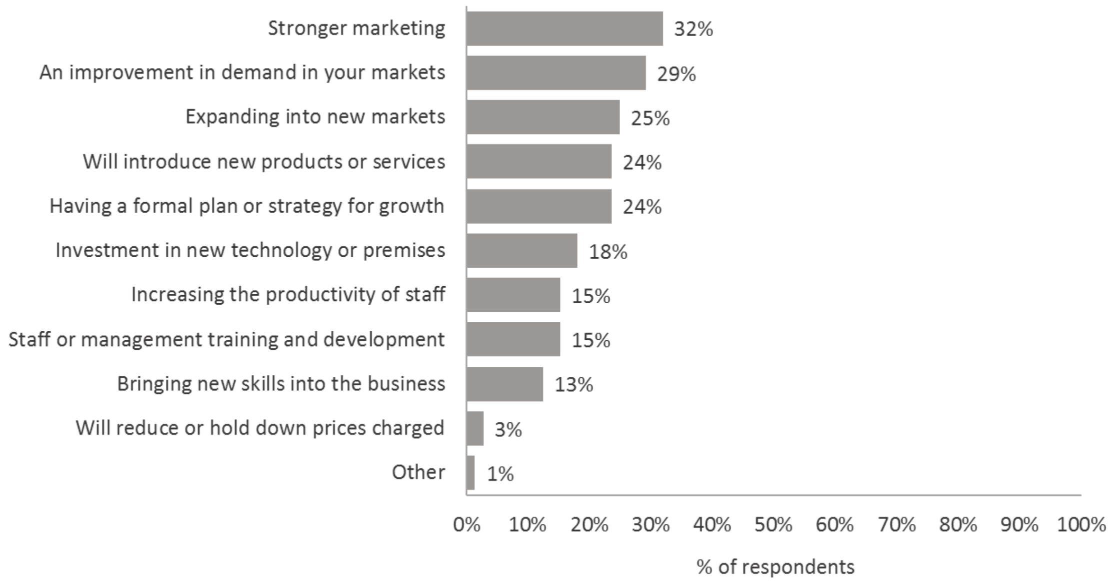


Source: Marches LEP Business Survey 2016. N=144.

A.22 The survey asked respondents to rank the importance of drivers of future growth (from 1 to 5, where 1 is the most important).

A.23 32% of all respondents ranked *stronger marketing* as either 1st or 2nd most important, followed by *an improvement in demand in markets* (29% rated this 1st or 2nd most important). Figure A.11 shows the proportion of respondents that rated each option each 1st or 2nd most important.

Figure A.11 Proportion of Respondents selecting factors driving future growth as either 1st or 2nd most important



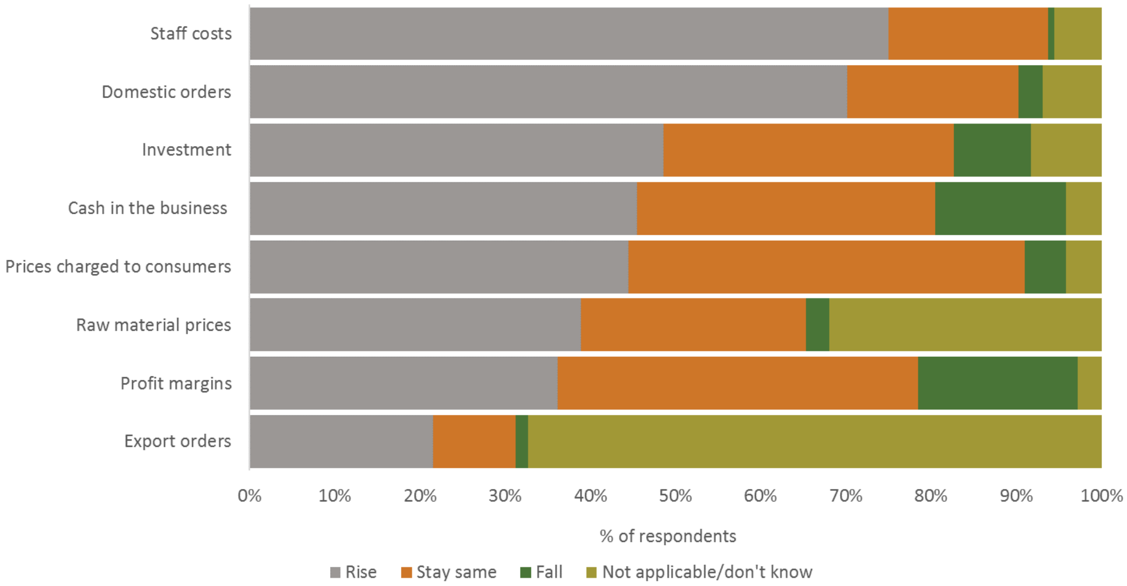
Source: Marches LEP Business Survey 2016. N-144.

A.24 The survey then asked respondents to anticipate changes over the next 2-3 years against a list of variables including staff costs, profit margins and investment.

A.25 The responses provide a mostly positive outlook for the following 2-3 years. It would appear that most businesses expect to increase their workforce and/or training expenditure: 75% of respondents expected *staff costs* to rise. Almost half of respondents expected *investment* to rise, and 45% envisaged growth in *cash in the business*. Likewise, most businesses (70%) expect *domestic orders* to rise, while one fifth of respondents forecast increases in *export orders*.

A.26 Despite this, almost 20% of businesses expect *profit margins* to fall over this time period, and 40% anticipated increases in *raw material prices*.

Figure A.12 Respondents' Expectations of Changes to Important Variables over next 2-3 years



Source: Marches LEP Business Survey 2016. N=144.

Three main barriers to growth identified

A.27 The survey then asked respondents to identify any barriers to growth to their business's performance and efficiency.

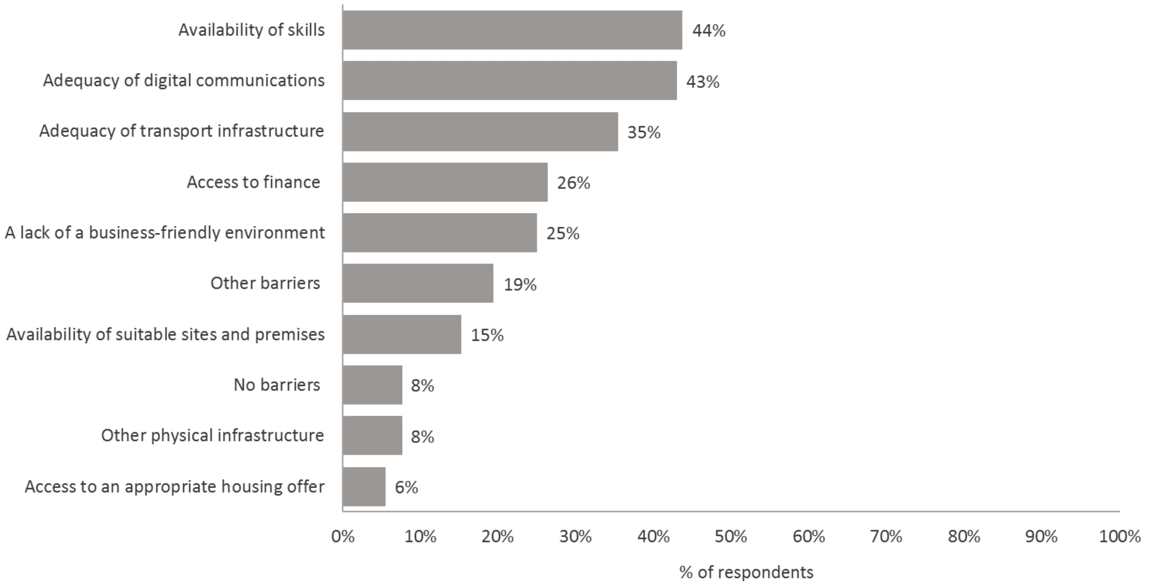
A.28 Three main barriers to growth emerged from the survey feedback:

- the availability of skills
- the adequacy of digital communications
- the adequacy of transport infrastructure.

A.29 Almost one fifth of respondents reported a barrier that differed from the options provided. Respondents were asked to provide further detail and some common themes emerged from this qualitative responses:

- Planning constraints
- Government policies, including spending
- Training opportunities.

Figure A.13 Barriers to Growth Identified by Survey Respondents

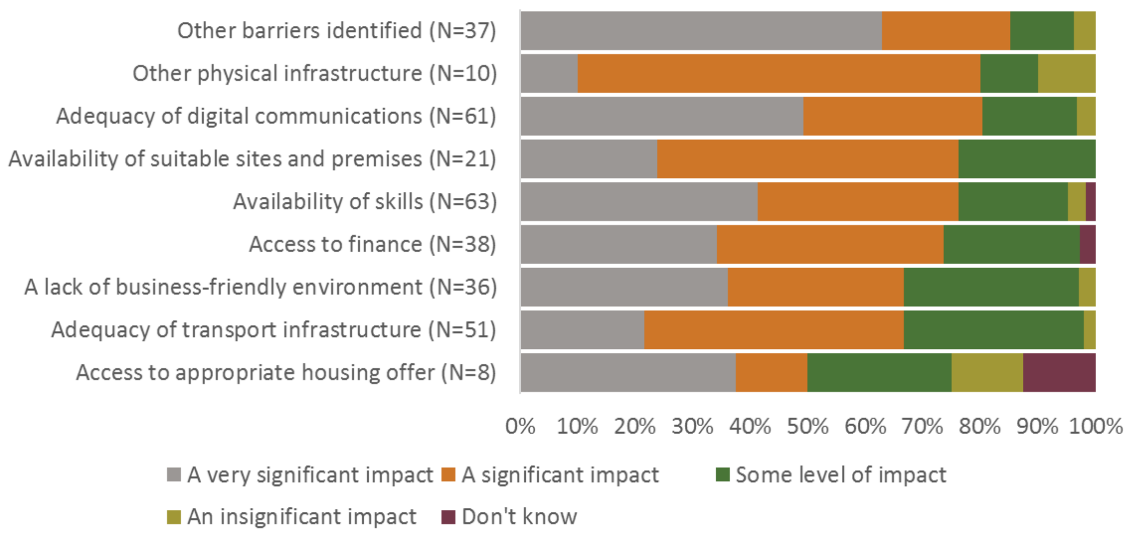


Source: Marches LEP Business Survey 2016. N=144.

A.30 The survey then asked respondents to consider the scale of the impact of the identified barriers to growth upon their business performance. Overall, the feedback suggests that each barrier will have a significant impact upon the business: for each option, at least 50% of respondents reported that the barrier would have *a very significant impact* or *a significant impact* upon their performance.

A.31 The most significant impacts were expected in *other barriers identified* and *the adequacy of digital communications*. For these two options, 63% and 49% of respondents reported that the barrier has or will have a very significant impact upon their business.

Figure A.14 Scale of Impact of Barriers to Growth



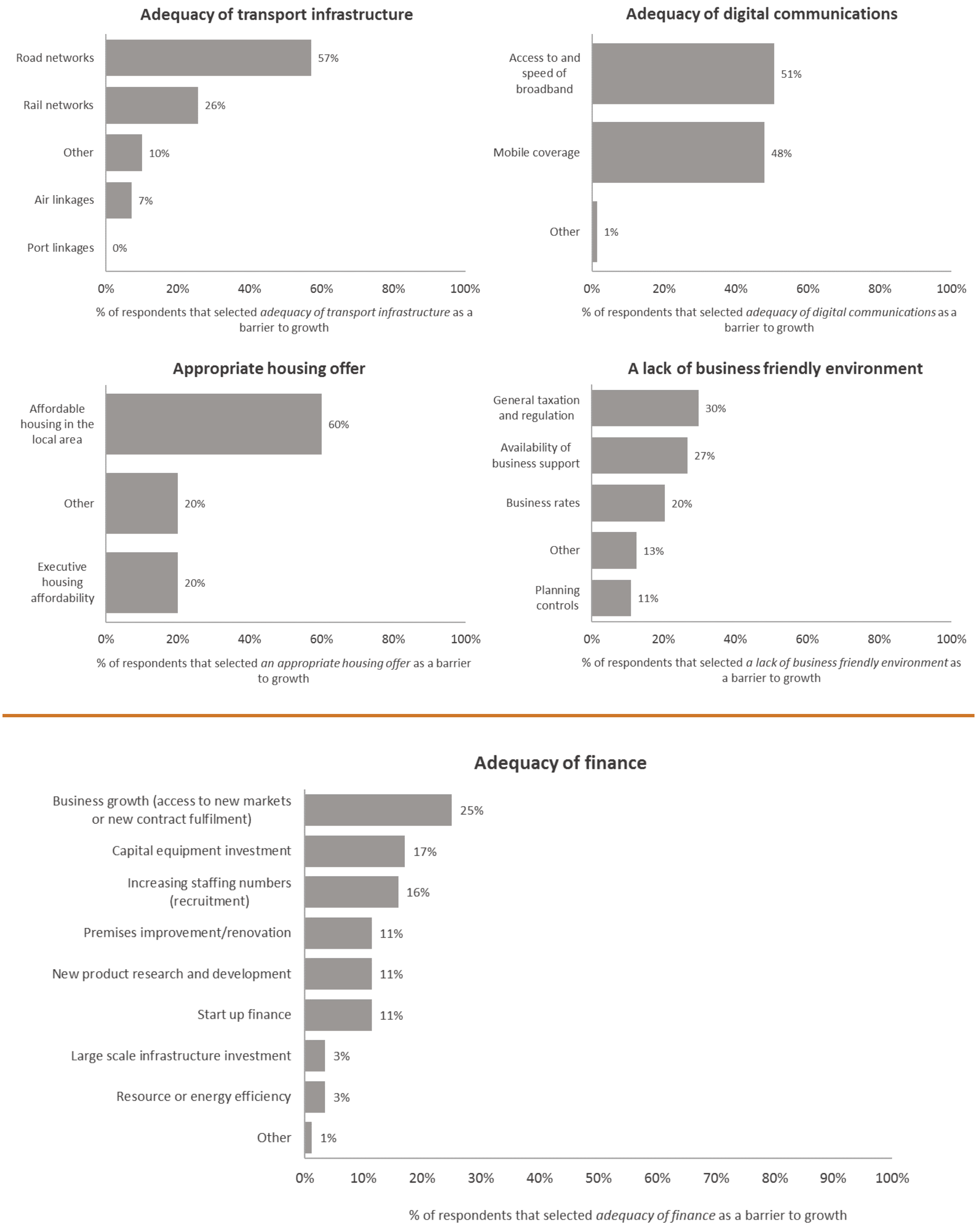
Source: Marches LEP Business Survey 2016.

A.32 For each of the following barriers to growth, respondents were invited to select from a more detailed list of relevant potential barriers: the adequacy of transport infrastructure, the adequacy of digital communications, the adequacy of finance, a lack of appropriating housing offer, and a lack of business-friendly environment.

A.33 The main points are:

- road networks were commonly cited as a barrier to growth by 57% of respondents that selected *adequacy of transport infrastructure*
- both *access to and speed of broadband* (51% of respondents that selected the adequacy of transport infrastructure as a barrier to growth) and *mobile coverage* (49%) were both perceived to be major challenges
- 60% of respondents that selected *the appropriateness of housing offer* identified *affordable housing in the local area* as a concern (although the small sample size could distort the result)
- *general taxation and regulation* and *the availability of business support* feature highly for those respondents that cited a lack of business-friendly environment as a challenge.
- the feedback for *the adequacy of finance* was less conclusive, but 25% of respondents considered *business growth (access to new markets or new contract fulfilment)* to be a barrier to growth.

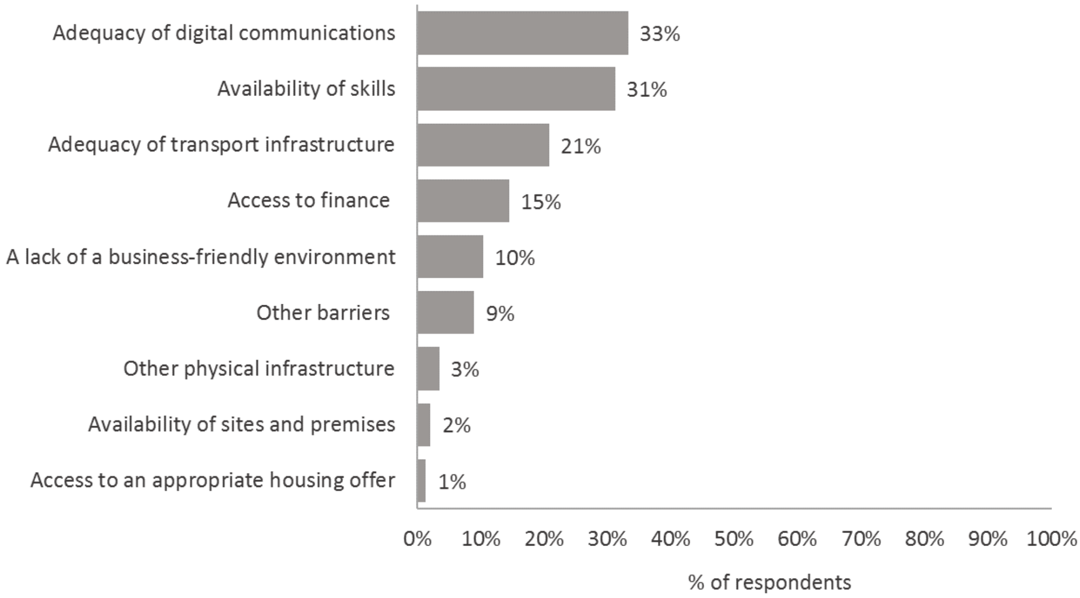
Figure A.15 Breakdown of more detailed barriers to growth



Source: Marches LEP Business Survey 2016. Adequacy of transport infrastructure – N=51. Adequacy of digital communications – N=62. Appropriate housing offer – N=8. A lack of business friendly environment – N=36. Adequacy of finance – N=38.

A.34 As in the case of factors driving growth, respondents were asked to select the largest barriers to growth in order of importance. *The adequacy of digital communications* and *the availability of skills* were considered to be the most important barriers to growth, ranked 1st or 2nd most important by 33% and 31% of the total number of respondents.

Figure A.16 Proportion of Respondents selecting the following barriers to growth as either 1st or 2nd most important barrier to growth



Source: Marches LEP Business Survey 2016. N=144.

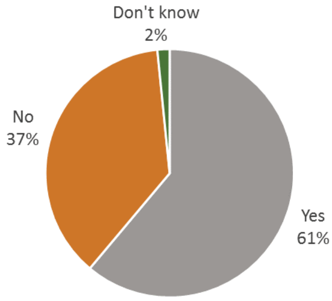
Employers' Skills Needs

Over half of respondents had recruited in the previous 12 months

A.35 The survey asked respondents whether their business had recruited any staff over the previous 12 months.

A.36 61% of respondents had hired at least one member of staff over this period.

Figure A.17 Proportion of Respondents that had recruited over past 12 months



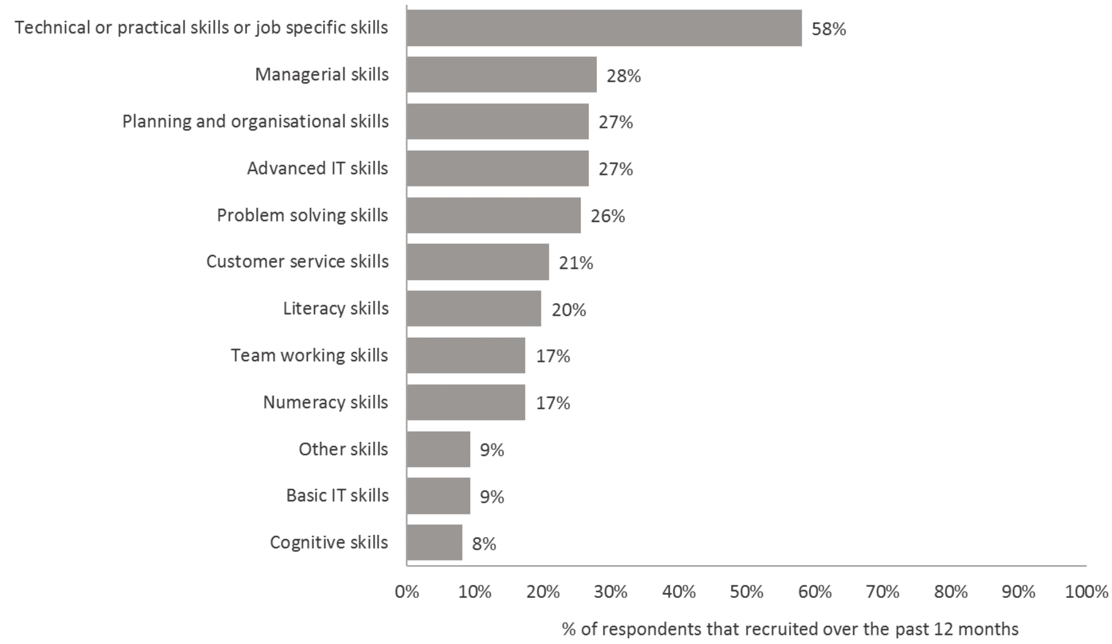
Source: Marches LEP Business Survey 2016. N=142.

Technical, practical or job specific skills is most common skills shortage for recruiting businesses

A.37 The survey then asked those respondents that had recruited within the past 12 months to consider the skills they had found difficult to obtain.

A.38 By far the most common skills shortage was *technical, practical or job specific skills* (58% of respondents that identified a skills shortage). This is consistent with the UKCES Employers Skills Survey data (2013) for the Marches and England. For both areas, *technical, practical or job specific skills* was the most commonly reported skills shortage.

Figure A.18 Breakdown of Respondents by Reported Skills Shortage



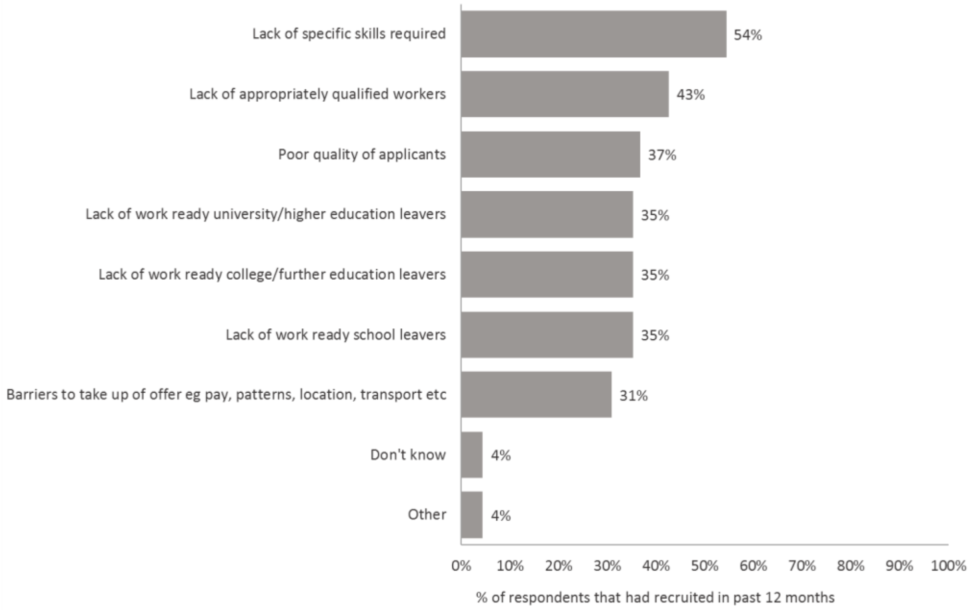
Source: Marches LEP Business Survey 2016. N=86.

Lack of qualified workforce among main reasons for difficulty in recruiting desired skills

A.39 Those firms that had recruited over the previous year were asked to consider the reasons why these skills had been difficult to obtain.

A.40 The feedback suggests that a variety of reasons can be attributed to these skills shortages, but the responses imply that it is related to a relative lack of skills in the workforce rather than physical barriers such as location or transport. The three most popular options are *a lack of specific skills required*, *a lack of appropriately qualified workers*, and *poor quality of applicants*.

Figure A.19 Reasons for Skill Shortages



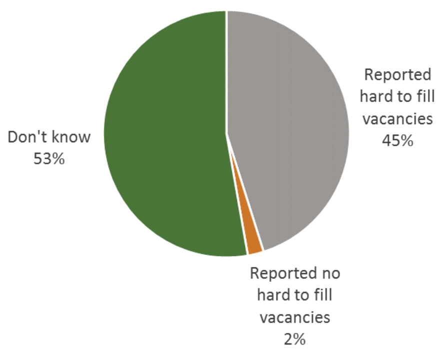
Source: Marches LEP Business Survey 2016. N=86.

Hard to fill vacancies and skill shortages relatively common

A.41 Respondents were asked if they had experienced difficulties in filling vacancies over the past 12 months. Almost half of businesses (45%) had encountered challenges over this time period and only 2% of businesses had no hard to fill vacancies.

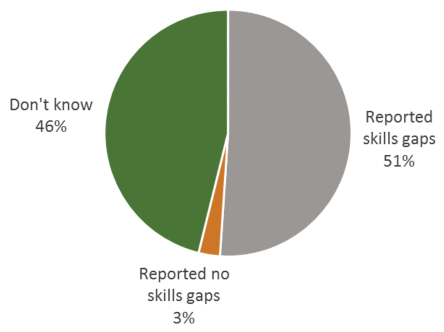
A.42 When asked about the skills profile of their existing workforce, 54% of respondents reported skill deficiencies in their existing workforce, and only 2% of businesses reported no skill shortages among their current staff.

Figure A.20 Proportion of Respondents reporting **hard to fill vacancies** over past 12 months



Source: Marches LEP Business Survey 2016. N=144.

Figure A.21 Proportion of Respondents reporting **skill shortages or gaps in existing workforce** over past 12 months



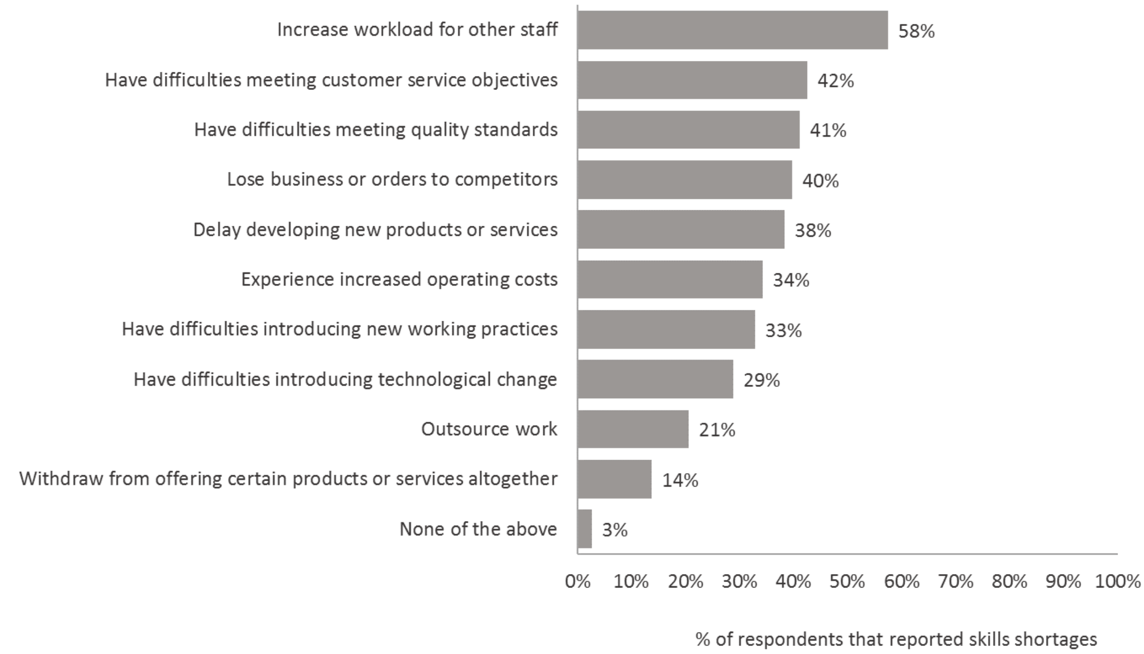
Source: Marches LEP Business Survey 2016. N=143.

Increased workload for staff the most common effect of skill shortages

A.43 The survey asked respondents to consider the impact of these identified skill shortages upon their business. The most common responses were an increased workload for other staff (58% of respondents) and difficulties meeting customer service objectives (42% of respondents).

A.44 An increased workload for other staff was the most commonly reported skills shortage in the UKCES Employers Skills Survey (2013) for both the Marches and England.

Figure A.22 Impact of Skill Shortages upon Employers



Source: Marches LEP Business Survey 2016. N=73.

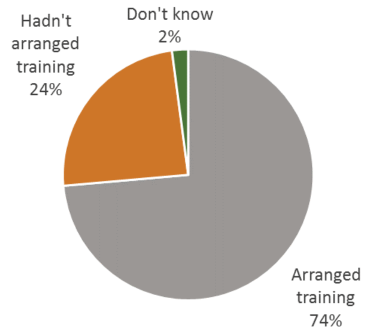
Most businesses undertook training over past 12 months

A.45 The survey feedback shows that 74% of businesses arranged some training to actively improve workforce skills over the past 12 months.

A.46 For those firms that didn't arrange training, three main reasons emerged:

- All staff were fully proficient and so there was no need for training
- No money or resources were available
- Relevant training courses are not available locally.

Figure A.23 Proportion of Respondents that had arranged training over past 12 months



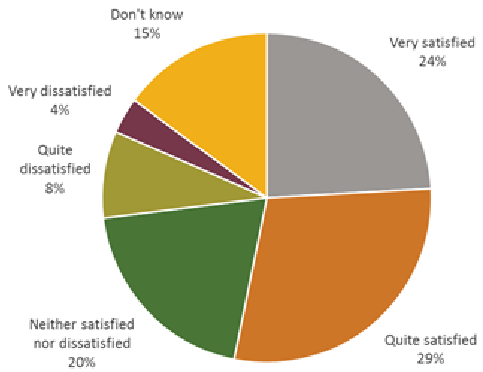
Source: Marches LEP Business Survey 2016. N=128.

Reasonable levels of satisfaction, but scope for improvement

A.47 All respondents were asked about their satisfaction with their current training provider. Although satisfaction is reasonable, only 53% of respondents were either *satisfied* or *very satisfied*. This implies that almost half of respondents were not satisfied with current provision.

A.48 This evidence suggests that there is some scope for improvement with training providers, and a potential role for the LEP in co-ordinating the needs of businesses with the capabilities of training providers.

Figure A.24 Satisfaction with Current Training Provider



Source: Marches LEP Business Survey 2016. N=141.

Implications and Conclusions

A.49 Although the survey offers some positive feedback, there are some results that identify some important concerns. The survey provides the LEP with some potential opportunities to intervene and alleviate some of these challenges:

A.50 **Poor recent business performance**: the survey feedback suggests that businesses have performed poorly across the Marches over the past 12 months. Almost one third of survey respondents reported a business decline over the past year. This suggests that major obstacles and challenges exist that have harmed business performance. Some of the reasons provided for this poor performance include a lack of training locally and skills shortages in the existing workforce. This feedback provides an opportunity for the LEP to intervene, seeking to encourage additional training provision and implementing a Skills Action Plan to improve skills across the sub-region.

A.51 **Three prominent barriers to growth**: the LEP has an important role to play to reduce the three main barriers to growth (the availability of skills, the adequacy of digital communications and the adequacy of transport infrastructure). In terms of the LEP's capabilities, there are arguments to intervene to improve broadband provision and the availability of affordable housing in the area. The lack of available business support also appears to be a challenge the LEP could address.

A.52 **Hard to fill vacancies and skills shortages relatively common**: the prevalence of hard to fill vacancies and skills shortages presents the LEP with an opportunity to engage with employers to ascertain their skills requirements, and work with training providers to ensure that their provision aligns with these needs. This is particularly necessary given that 35% of employers identified a lack of work ready education leavers as a fundamental reason for skills shortages.

Appendix B - List of Stakeholders Consulted

Workshop Attendees

Table B.1 List of Attendees to Marches LEP Skills Workshop on 2nd February 2016

Name	Role	Organisation
Alexia Heath	Local Authority Representative	Herefordshire Council
Andy Jones	Director	Harper Adams University
Chris Scott	Principal	TCAT
Claire Smout	Workforce Development Manager	The Care Workforce Development
David Williams	Deputy Principal	Herefordshire and Ludlow College
Janine Vernon	Local Authority Representative	Shropshire Council
Michael Burke	JARDU	SFA
Paul Hinkins	Deputy Chair	Marches LEP Board
Paul Kirkbright	Deputy Provost	University Centre Shrewsbury
Paul O'Neill	Director	The Marches Skills Provider Network
Rob Gready	Chairman	Herefordshire Care Provider Group
Sonia Roberts	Charity Manager	Landau Ltd
Sue Marston	Local Authority Representative	Telford and Wrekin Council

B.2 Presentations were also made each of the three Business Boards: Telford & Wrekin, Herefordshire, and Shropshire.

Other Stakeholders Consulted

Table B.2 Other Stakeholders Consulted

Name	Role	Organisation
Alexia Heath	Senior Advisor Post 16 Learning and Skills	Herefordshire Council
Nick Webster	Economic Development Manager	Herefordshire Council
Frank Myers MBE	Chair	Herefordshire Business Board MD, MCP Systems Consultants Ltd
Mark Pearce	Hereford EZ	Hereford EZ
Kathy Mulholland	Inward Investment & Business Support Service Delivery Manager	Telford & Wrekin Council
Katherine Kynaston	Business & Development Planning Manager	Telford & Wrekin Council
Paul Hinkins	Chair/ Deputy Chair	Telford Business Board / Marches LEP Board MD, Business Watch Guarding Ltd
Clare Cox	Business Relationship Manager for Economic Growth	Shropshire Council
George Candler	Director of Commissioning	Shropshire Council
Mandy Thorn MBE	Chair/ Deputy Chair	Shropshire Business Board / Marches LEP Board MD, Marches Care
Prof. Ian Oakes	Chair	Marches LEP Skills Board

		Deputy Vice Chancellor, Wolverhampton University
Graham Wynn OBE	Chair	Marches LEP Board / Chairman, The TTC Group
Dr David Llewellyn	Chairman	Marches Agri-Food Working Group Vice Chancellor, Harper Adams University
Sonia Roberts	Social Enterprise & Third Sector Champion	Marches LEP Board / Charity Manager, Landau Ltd
Peter Brown	Chair	Marches Housing & Planning Sub-Group Chief Executive, Herefordshire Housing Group

Appendix C - Note on Sector Definitions

Advanced Manufacturing and Engineering - Mid and High Value Manufacturing Sectors, Marches LEP

Sub-sector	2007 SIC (2 digit)
Manufacture of chemicals and chemical products	20
Manufacture of basic pharmaceutical products and pharmaceutical preparations	21
Manufacture of rubber and plastic products	22
Manufacture of other non-metallic mineral products	23
Manufacture of basic metals	24
Manufacture of fabricated metal products, except machinery and equipment	25
Manufacture of computer, electronic and optical products	26
Manufacture of electrical equipment	27
Manufacture of machinery and equipment n.e.c.	28
Manufacture of motor vehicles, trailers and semi-trailers	29
Manufacture of other transport equipment	30
Other manufacturing	32
Repair and installation of machinery and equipment	33
Architectural and engineering activities; technical testing and analysis	71
Scientific research and development	72

Food Manufacturing and Processing - Marches LEP Definition

Sub-sector	Group	2007 SIC (5 digit)
Processing and preserving of meat	Food production and processing	10110
Processing and preserving of poultry meat	Food production and processing	10120
Production of meat and poultry meat products	Food production and processing	10130
Processing and preserving of fish, crustaceans and molluscs	Food production and processing	10200
Processing and preserving of potatoes	Food production and processing	10310
Manufacture of fruit and vegetable juice	Food production and processing	10320
Other processing and preserving of fruit and vegetables	Food production and processing	10390
Manufacture of oils and fats	Food production and processing	10410
Manufacture of margarine and similar edible fats	Food production and processing	10420
Liquid milk and cream production	Food production and processing	10511
Butter and cheese production	Food production and processing	10512
Manufacture of milk products (other than liquid milk and cream, butter, cheese) nec	Food production and processing	10519
Manufacture of ice cream	Food production and processing	10520
Grain milling	Food production and processing	10611
Manufacture of breakfast cereals and cereals-based foods	Food production and processing	10612
Manufacture of starches and starch products	Food production and processing	10620
Manufacture of bread; manufacture of fresh pastry goods and cakes	Food production and processing	10710
Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes	Food production and processing	10720

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Manufacture of macaroni, noodles, couscous and similar farinaceous products	Food production and processing	10730
Manufacture of sugar	Food production and processing	10810
Manufacture of cocoa, and chocolate confectionery	Food production and processing	10821
Manufacture of sugar confectionery	Food production and processing	10822
Tea processing	Food production and processing	10831
Production of coffee and coffee substitutes	Food production and processing	10832
Manufacture of condiments and seasonings	Food production and processing	10840
Manufacture of prepared meals and dishes	Food production and processing	10850
Manufacture of homogenised food preparations and dietetic food	Food production and processing	10860
Manufacture of other food products nec	Food production and processing	10890
Manufacture of prepared feeds for farm animals	Food production and processing	10910
Manufacture of prepared pet foods	Food production and processing	10920
Distilling, rectifying and blending of spirits	Beverage production and processing	11010
Manufacture of wine from grape	Beverage production and processing	11020
Manufacture of cider and other fruit wines	Beverage production and processing	11030
Manufacture of other non-distilled fermented beverages	Beverage production and processing	11040
Manufacture of beer	Beverage production and processing	11050
Manufacture of malt	Beverage production and processing	11060
Manufacture of soft drinks; production of mineral waters and other bottled waters	Beverage production and processing	11070

Sectors Definitions used by Regeneris

C.1 Please note that the following sectors use definitions from our regular work on the specific sectors. These in turn building on literature and commonly used definitions in the industry. The sectors are kept fairly broad and are matched onto SIC codes in a best-fit way.

Defence and Securities – Regeneris Definition

Sub-sector	2007 SIC (5 digit)
Manufacture of explosives	20510
Manufacture of weapons and ammunition	25400
Manufacture of military fighting vehicles	30400
Private security activities	80100
Security systems service activities	80200
Investigation activities	80300
Defence activities	84220
Compulsory social security activities	84300

Environmental Technologies – Regeneris Definition

Sub-sector	Group	2007 SIC (5 digit)
Processing of nuclear fuel	Processing of nuclear fuel	24460
Manufacture of central heating radiators and boilers	Man. Of other electric components	25210
Manufacture of other tanks, reservoirs and containers of metal	Man. Of tanks and reservoirs	25290
Manufacture of steam generators, except central heating hot water boilers	Man. of steam generators	25300
Manufacture of electric motors, generators and transformers	Man. Of other electric components	27110
Manufacture of electricity distribution and control apparatus	Man. Of electricity distribution & control	27120
Manufacture of batteries and accumulators	Man. Of other electric components	27200
Manufacture of fluid power equipment	Man. Of pumps, compressors & other equipment	28120
Manufacture of pumps	Man. Of pumps, compressors & other equipment	28131
Manufacture of compressors	Man. Of pumps, compressors & other equipment	28132
Manufacture of non-domestic cooling and ventilation equipment	Man. Of pumps, compressors & other equipment	28250
Other manufacturing nec	Other manufacturing	32990
Production of electricity	Electricity production & distribution	35110
Transmission of electricity	Electricity production & distribution	35120
Distribution of electricity	Electricity production & distribution	35130
Trade of electricity	Electricity production & distribution	35140
Manufacture of gas	Gas & steam	35210
Distribution of gaseous fuels through mains	Gas & steam	35220
Trade of gas through mains	Gas & steam	35230
Steam and air conditioning supply	Gas & steam	35300
Water collection, treatment and supply	Water supply and management	36000
Sewerage	Waste management	37000
Collection of non-hazardous waste	Waste management	38110
Collection of hazardous waste	Waste management	38120
Treatment and disposal of non-hazardous waste	Waste management	38210
Treatment and disposal of hazardous waste	Waste management	38220
Dismantling of wrecks	Waste management	38310
Recovery of sorted materials	Waste management	38320
Remediation activities and other waste management services	Waste management	39000
Engineering related scientific and technical consulting activities	Engineering & technical activities	71122
Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)	Engineering & technical activities	71129
Technical testing and analysis	Engineering & technical activities	71200

Research and experimental development on biotechnology	R&D	72110
Other research and experimental development on natural sciences and engineering	R&D	72190
Environmental consulting activities	Environmental consulting	74901

Digital and Creative – Regeneris Definition

Sub-sector	Group	2007 SIC (5 digit)
Reproduction of sound recording	Media recording	18201
Reproduction of video recording	Media recording	18202
Reproduction of computer media	Media recording	18203
Book publishing	Publishing	58110
Publishing of directories and mailing lists	Publishing	58120
Publishing of newspapers	Publishing	58130
Publishing of learned journals	Publishing	58141
Publishing of consumer, business and professional journals and periodicals	Publishing	58142
Other publishing activities	Publishing	58190
Publishing of computer games	Publishing	58210
Other software publishing	Publishing	58290
Motion picture production activities	Film	59111
Video production activities	Film	59112
Television programme production activities	Film	59113
Motion picture, video and television programme post-production activities	Film	59120
Motion picture distribution activities	Film	59131
Video distribution activities	Film	59132
Television programme distribution activities	Film	59133
Motion picture projection activities	Film	59140
Sound recording and music publishing activities	Broadcasting	59200
Radio broadcasting	Broadcasting	60100
Television programming and broadcasting activities	Broadcasting	60200
Wired telecommunications activities	Telecommunication	61100
Wireless telecommunications activities	Telecommunication	61200
Satellite telecommunications activities	Telecommunication	61300
Other telecommunications activities	Telecommunication	61900
Ready-made interactive leisure and entertainment software development	Software and programming	62011
Business and domestic software development	Software and programming	62012
Computer consultancy activities	Software and programming	62020
Computer facilities management activities	Software and programming	62030
Other information technology and computer service activities	Software and programming	62090
Data processing, hosting and related activities	Information services	63110
Web portals	Information services	63120
News agency activities	Information services	63910
Other information service activities nec	Information services	63990
Architectural activities	Architectural	71111
Urban planning and landscape architectural activities	Architectural	71112
Advertising agencies	Advertising and PR	73110
Media representation	Advertising and PR	73120
Specialised design activities	Design	74100
Portrait photographic activities	Photography	74201
Other specialist photography (not including portrait photography)	Photography	74202
Film processing	Photography	74203

Other photographic activities (not including portrait and other specialist photography and film processing) nec	Photography	74209

Professional Services – Regeneris Definition

Sub-sector	2007 SIC (2 digit)
Financial service activities, except insurance and pension funding	64
Insurance, reinsurance and pension funding, except compulsory social security	65
Activities auxiliary to financial services and insurance activities	66
Real estate activities	68
Legal and accounting activities	69
Activities of head offices; management consultancy activities	70
Architectural and engineering activities; technical testing and analysis	71
Scientific research and development	72
Advertising and market research	73
Other professional, scientific and technical activities	74
Veterinary activities	75
Rental and leasing activities	77
Employment activities	78
Travel agency, tour operator and other reservation service and related activities	79
Security and investigation activities	80
Services to buildings and landscape activities	81
Office administrative, office support and other business support activities	82

Health and Social Care – Regeneris Definition

Sub-sector	2007 SIC (5 digit)
Manufacture of basic pharmaceutical products	21100
Manufacture of pharmaceutical preparations	21200
Manufacture of irradiation, electromedical and electrotherapeutic equipment	26600
Manufacture of optical precision instruments	26701
Manufacture of medical and dental instruments and supplies	32500
Research and experimental development on biotechnology	72110
Other research and experimental development on natural sciences and engineering	72190
Hospital activities	86101
Medical nursing home activities	86102
General medical practice activities	86210
Specialist medical practice activities	86220
Dental practice activities	86230
Other human health activities	86900
Residential nursing care activities	87100
Residential care activities for learning disabilities, mental health and substance abuse	87200
Residential care activities for the elderly and disabled	87300
Other residential care activities	87900

Construction – Regeneris Definition

Sub-sector	Group	2007 SIC (5 digit)
Manufacture of cement	Construction materials	23510
Manufacture of lime and plaster	Construction materials	23520
Manufacture of concrete products for construction purposes	Construction materials	23610
Manufacture of plaster products for construction purposes	Construction materials	23620
Manufacture of ready-mixed concrete	Construction materials	23630
Manufacture of mortars	Construction materials	23640
Manufacture of fibre cement	Construction materials	23650
Manufacture of other articles of concrete, plaster and cement	Construction materials	23690
Manufacture of machinery for metallurgy	Construction machinery	28910
Manufacture of earthmoving equipment	Construction machinery	28922
Manufacture of equipment for concrete crushing and screening roadworks	Construction machinery	28923
Development of building projects	Civil engineering	41100
Construction of commercial buildings	Civil engineering	41201
Construction of domestic buildings	Civil engineering	41202
Construction of roads and motorways	Civil engineering	42110
Construction of railways and underground railways	Civil engineering	42120
Construction of bridges and tunnels	Civil engineering	42130
Construction of utility projects for fluids	Civil engineering	42210
Construction of utility projects for electricity and telecommunications	Civil engineering	42220
Construction of water projects	Civil engineering	42910
Construction of other civil engineering projects nec	Civil engineering	42990
Demolition	Construction	43110
Site preparation	Construction	43120
Test drilling and boring	Construction	43130
Electrical installation	Construction	43210
Plumbing, heat and air-conditioning installation	Construction	43220
Other construction installation	Construction	43290
Plastering	Construction	43310
Joinery installation	Construction	43320
Floor and wall covering	Construction	43330
Painting	Construction	43341
Glazing	Construction	43342
Other building completion and finishing	Construction	43390
Roofing activities	Construction	43910
Scaffold erection	Construction	43991
Specialised construction activities (other than scaffold erection) nec	Construction	43999
Wholesale of machine tools	Construction machinery wholesale	46620
Wholesale of mining, construction and civil engineering machinery	Construction machinery wholesale	46630
Activities of construction holding companies	Construction	64203
Wholesale of machine tools	Architecture	71111

Wholesale of mining, construction and civil engineering machinery	Urban Planning	71112
Activities of construction holding companies	Construction: leasing of equipment and transport	77120
Architectural activities	Construction: leasing of equipment and transport	77320
Urban planning and landscape architectural activities	Construction materials	23510
Renting and leasing of trucks	Construction materials	23520
Renting and leasing of construction and civil engineering machinery and equipment	Construction materials	23610

Tourism and Hospitality – Regeneris Definition

Sub-sector	Group	2007 SIC (5 digit)
Taxi operation	Taxi service	49320
Sea and coastal passenger water transport	Passenger transportation	50100
Inland passenger water transport	Passenger transportation	50300
Hotels and similar accommodation	Hotels	55100
Holiday centres and villages	Other accommodation	55201
Youth hostels	Other accommodation	55202
Other holiday and other short-stay accommodation (not including holiday centres and villages or youth hostels) nec	Other accommodation	55209
Camping grounds, recreational vehicle parks and trailer parks	Other accommodation	55300
Other accommodation	Other accommodation	55900
Licensed restaurants	Restaurants	56101
Unlicensed restaurants and cafes	Restaurants	56102
Take away food shops and mobile food stands	Restaurants	56103
Event catering activities	Restaurants	56210
Other food service activities	Restaurants	56290
Licensed clubs	Bars and pubs	56301
Public houses and bars	Bars and pubs	56302
Renting and leasing of cars and light motor vehicles	Transport leasing	77110
Renting and leasing of trucks	Transport leasing	77120
Renting and leasing of recreational and sports goods	Transport leasing	77210
Travel agency activities	Travel agencies & operators	79110
Tour operator activities	Travel agencies & operators	79120
Activities of tourist guides	Travel agencies & operators	79901
Other reservation service activities (not including activities of tourist guides)	Travel agencies & operators	79909
Performing arts	Arts	90010
Support activities to performing arts	Arts	90020
Artistic creation	Arts	90030
Operation of arts facilities	Arts	90040
Library activities	Libraries & archives	91011
Archive activities	Libraries & archives	91012
Museum activities	Museums and attractions	91020
Operation of historical sites and buildings and similar visitor attractions	Museums and attractions	91030
Botanical and zoological gardens and nature reserve activities	Museums and attractions	91040
Operation of sports facilities	Sports facilities	93110
Activities of amusement parks and theme parks	Amusement parks	93210
Other amusement and recreation activities	Amusement parks	93290

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