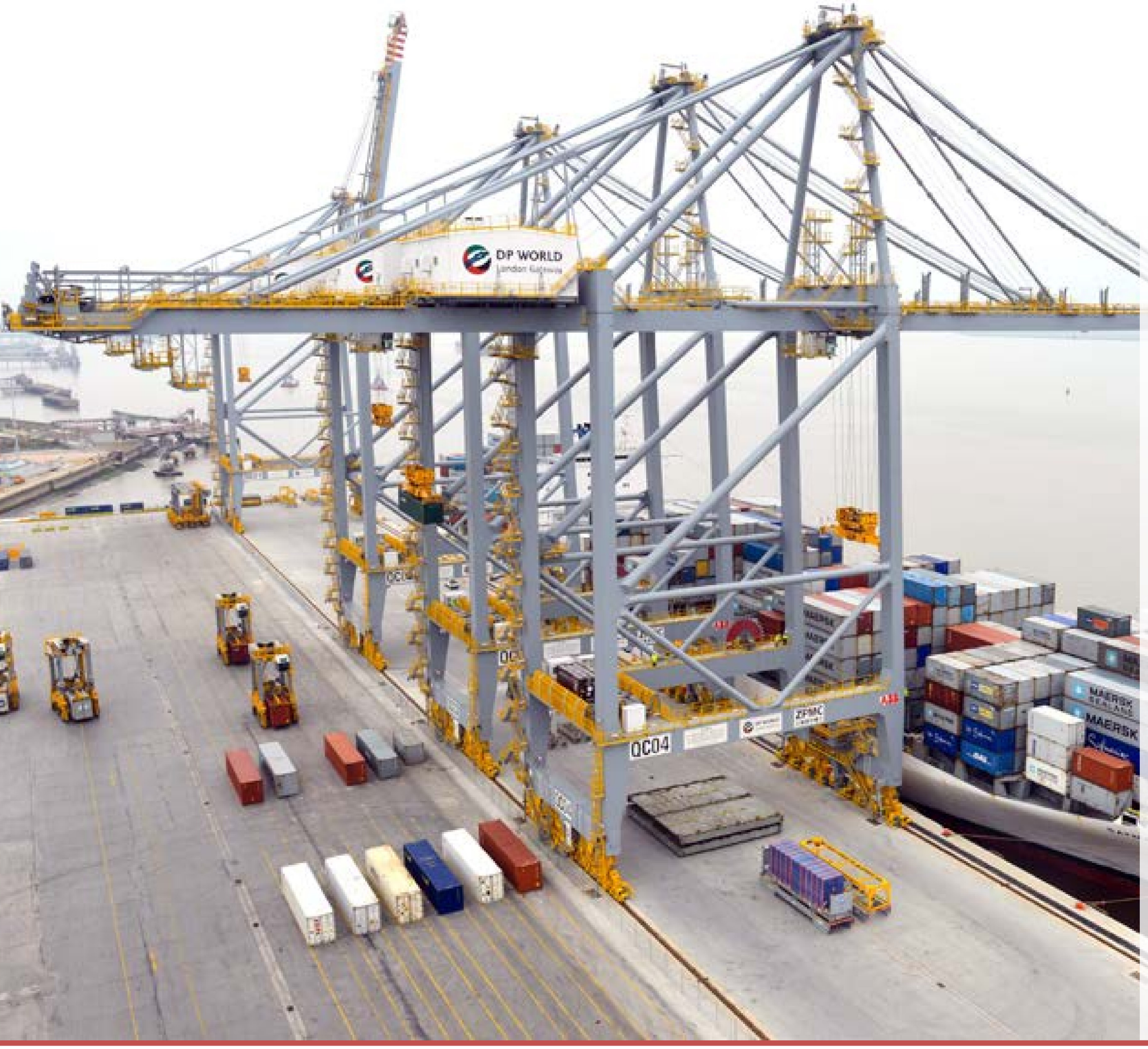
South East LEP

Growth Deal and Strategic Economic Plan

South East
Local Enterprise Partnership

March 2014

SE LEP's sea ports and the road and rail networks that serve them provide the UKs most important gateway to the rest of the world.



Our Growth Ambitions

2.2

Our ambition is to :

- enable the creation of 200,000 sustainable private sector jobs over the decade to 2021, an increase of 11.4% since 2011;
- complete 100,000 new homes by 2021, which will entail, over the seven years, increasing the annual rate of completions by over 50% by comparison with recent years; and,
- lever investment totalling £10 billion, to accelerate growth, jobs and homebuilding.

2.3

Furthermore, we will recognise the need to invest in the Thames Gateway and our Coastal Communities to further contribute to the growth of the London economy and also to address the challenges of our coastal communities.

2.4

Without the implementation of our SEP, a proportion of this growth is likely to take place anyway - depending on the underlying strength of the UK economy. We know, however, that some of this "business as usual" growth depends on planned investment in transport and other infrastructure, given the intensity of congestion on many links in our road network. Achieving the additional growth will depend on the full implementation of our Strategic Economic Plan. Our Growth Deal will create the conditions for this higher rate of growth.

[1]Data for 2011 – Department for Transport (2013) Sea passenger statistics: 2012
[2]Data for 2011 – Department for Transport (2013) Port freight statistics: 2012 final figures
[3]Data for 2011 – Department for Transport (2013) Sea passenger statistics: 2012
[4]Department for Transport (2012) Channel Tunnel: traffic to and from Europe
[5]UK Trade & Investment (2008) The UK Ports Sector

Building on our Economic Strengths

2.5

Kent, Medway, Essex, Thurrock, Southend and East Sussex together comprise the South East Local Enterprise Partnership (SE LEP) area. Stretching along the coast from Harwich to Peacehaven, the SE LEP area is the largest in the country outside London. Today our market towns, small cities, coastal communities, and villages offer an exceptionally diverse choice of places to live and work. Constable Country is in North Essex, part of the South Downs National Park is in East Sussex, and Kent is well known as the "Garden of England."

Gateway to the World

2.6

SE LEP's sea ports – and the road and rail networks that serve the ports - provide the UK's most important gateway to the rest of the world. Each year around 14m passengers[1] and 85m tonnes of freight[2] goes via our ports – that is over half of England's international sea passenger population and a quarter of England's sea freight. With almost 12m passengers in 2012, the Port of Dover is by far the busiest passenger port in the UK[3]. The Port of London (mainly in Thurrock and Medway), comprising more than 70 terminals along the Thames, is the second largest UK port by freight traffic. London Gateway is providing new deep-sea container handling facilities and is planned to serve Europe's largest logistic park, reinforcing the LEP's contribution to supporting international trade. 17m passengers and 1.3m tonnes of freight travel to and from the SE LEP area and mainland Europe via the Channel Tunnel[4] . The port of Newhaven in East Sussex caters for both freight and passenger movements and will be the operations and maintenance base for the E.ON Rampion Wind Farm (subject to planning permission). Eurotunnel is seeing a 30% increase in freight traffic per year.

2.7

Nationally, 95% (by volume) of the UK's imports and exports pass through the country's ports, representing 75% of trade by value[5]. This means that on-going investment in the motorways, national trunk roads and rail networks serving the SE LEP's ports is essential to ensure their efficient operations. Conversely, the congestion arising from the lack of such investment has a material, immediate impact on the productivity of companies throughout the UK and the performance of the UK economy as a whole[6].

2.8

Now, however, many SE LEP businesses and communities find that the lack of investment in the national road network means that they carry significant additional costs arising from congestion. The QEII Crossing and the Dartford tunnel between Dartford and Thurrock is the only crossing of the Thames east of London, carrying around 50 million vehicles per year. Heavily congested, delays impede the movement of local traffic across the Thames Gateway, and increase pressure on the surrounding road network, particularly the M25, A13, A127 and A2. Access to the Channel Ports is also frequently constrained and planned increases in freight and passenger traffic through the Port of Dover and the Channel Tunnel are likely to place further pressure on the M20/A20 and M2/A2 Corridors. Operation Stack directly costs Kent Police and the Highways Agency around £3 million per year, with a wider economic cost in lost investment and delays to local business[7].

Our workforce

2.9

In 2012 the SE LEP area had a population of over **4m people**. Over the last two decades the population in the SE LEP area increased significantly. The ONS forecasts that SE LEP's population to increase by some 284,600 people by 2021, helping to drive economic growth. Overall rates of **economic activity** in the SE LEP area are above the national rates, but below those for the wider South East. Employment rates show a similar pattern. Moreover, London's employers rely on 273,000 residents from the LEP area each day and many of them are highly skilled[8].

2.10

However, economic activity is not evenly spread across the SE LEP area. **Unemployment** tends to be **higher in more peripheral parts of the LEP**, particularly in the coastal communities, and some other areas. Gravesham (9.3%), Medway (10.1%), Tendring (9%), Thanet (12.3%), Hastings (10.7%) and Harlow (9.8%) have the highest rates of unemployment[9] and are in the top fifth of local authorities in England on this measure.

Entrepreneurial Business Culture

2.11

There are 344,300 businesses in the SE LEP area - 86 firms per 1,000 residents, compared with 82 for England[10]. Self-employment is also above the national average in the SE LEP area (11.0% compared to 9.8% for England)[11].
The SE LEP area has an above average proportion of registered micro-enterprises (<10 employees). Some communities, however, benefit from concentrations of larger firms, for example Harlow, Dartford and Canterbury[12].

Universities and Innovation

2.12

The nine universities across the SE LEP represent the powerhouse for new knowledge creation, innovation and, along with business, are a driving force behind major economic growth across the LEP. To help boost growth, the universities have set aside their own funds and plans are at a late stage of development so that if funding is released these projects will start very quickly and have a major impact on growth and speed the recovery. Each university has carefully crafted their individual projects linked to the specific needs of their locality, the wider SE economy and builds on their own research strengths in the priority sectors, including Big Data, Automotive Engineering, Health Technology and new therapeutics, and Product Design. Our commitment is to work with existing businesses, attract inward investment and stimulate university-based enterprise. We will work in partnership with the universities as well as with local councils, businesses and partners across the LEP to achieve our shared goals. This infrastructure development will assist in the delivery of national government programmes as well as acting as a conduit for new EU funding. The above and the individual projects are very practical demonstrations of the type of business-university collaboration envisaged in the Witty Report and recently endorsed by Government.

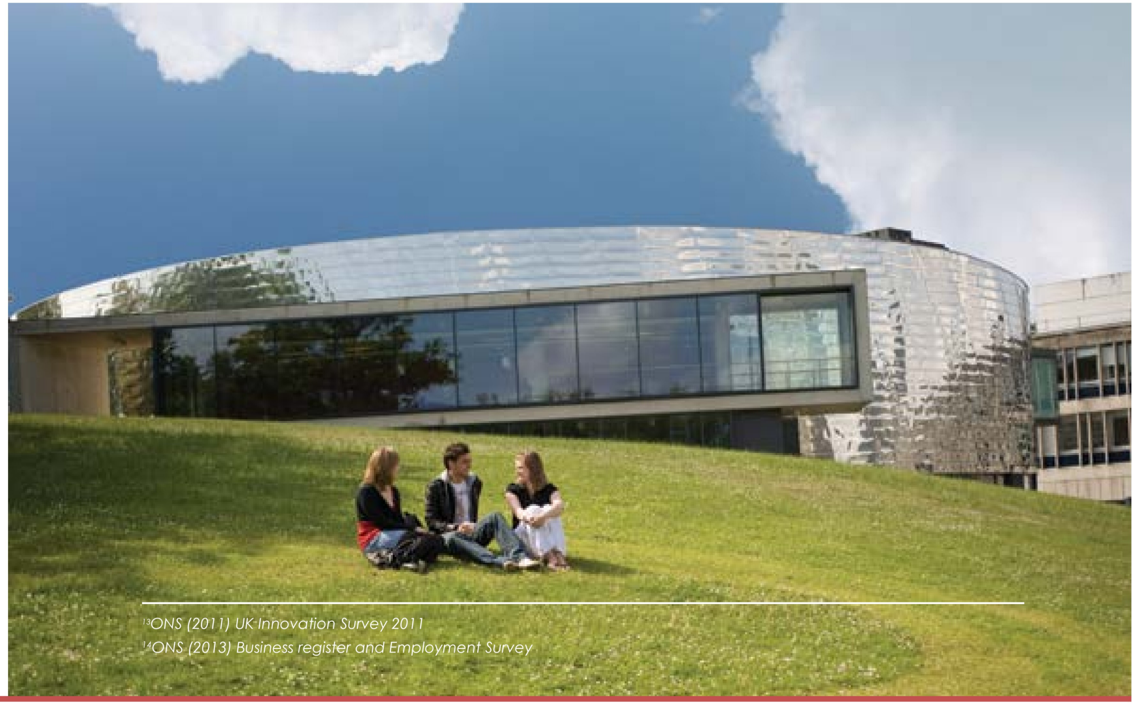
2.13

SE LEP wide business commitment to innovation (in part through working with universities) is already bringing significant economic benefits. SE LEP companies report that a significant proportion (15%) of their business turnover is generated by products/ services which are new to market; this compares with just 6% across England as a whole. Also, a higher proportion of businesses in the area have applied for a patent (3.2%) than the England average (2.8%)[13].

Sector Strengths and Prospects: Rebalancing the Economy

2.14

Today, many parts of the SE LEP economy are over-reliant on the public sector for jobs. In 2012, 19.1% of SE LEP employment was in the public sector, compared to 18.6% for England as a whole. Public sector employment is particularly high in Southend (29.8%), Maidstone (25.1%), and Chelmsford (30.9%)[14]. The SE LEP area is also relatively more reliant on wholesale, retail and accommodation, and construction jobs. Generally, these sectors do not provide high value employment. A lower proportion of employment is in high value, or 'knowledge economy' sectors.



[6] *Importantly, successful maritime clusters enhance the port's positive contribution to its surrounding city and region - OECD (2013) The Competitiveness of Global Port-Cities: Synthesis Report*

[7] *Growth without Gridlock: A transport delivery plan for Kent, KCC 2010, p.28*

[8] *ONS Annual Population Survey 2011*

[9] *ONS (2014) Annual Population Survey*

[10] *TBR (2013) Trends Central Resource*

[11] *ONS (2013) Annual Population Survey*

[12] *ONS (2013) Business Activity, Size and Location*

[13] *ONS (2011) UK Innovation Survey 2011*

[14] *ONS (2013) Business register and Employment Survey*

2.15

However, the situation is improving. Across the SE LEP area, knowledge economy employment has increased from 14.6% of employment in 2009, to 17.3% in 2012[15]. In Kent, recent growth in knowledge economy employment has been very strong; total knowledge economy employment rose by around 15% between 1998 and 2010, almost double the national rate of growth[16]. We see significant opportunities to rebalance the SE LEP economy in favour of high value added manufacturing and services, and to reduce the reliance on low value sectors.

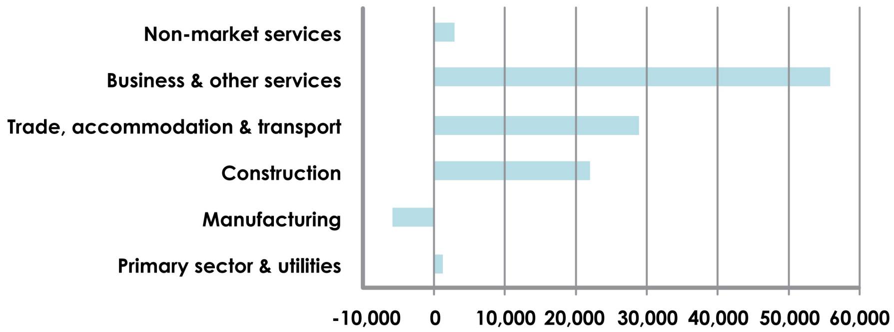
2.16

According to forecasts published by the UK Commission on Employment and Skills (UKCES), between 2010 and 2020, the largest part of employment growth in the SE LEP area will be in business services. Importantly, employment in non-market services is expected to increase only slightly during this time. Manufacturing employment is expected to continue to decline[17].

2.17

Based on the evidence available we have identified priority sectors for the SE LEP economy which have high growth potential, fit closely with the National Industrial Strategy[18] and through which we can target LEP-wide support for innovation, and therefore boost growth beyond the UKCES forecast level. These are advanced manufacturing; life sciences/medical-technologies; transport and logistics; low carbon environmental goods and services, creative, cultural and media and the visitor economy. Within each of these sectors, SE LEP makes an important contribution to national output, employment and businesses[19].

Figure 2.1: SE LEP Projected change in employment, 2010-2020



Source: UKCES (2012) Working Futures 2010-2020

Advanced Manufacturing

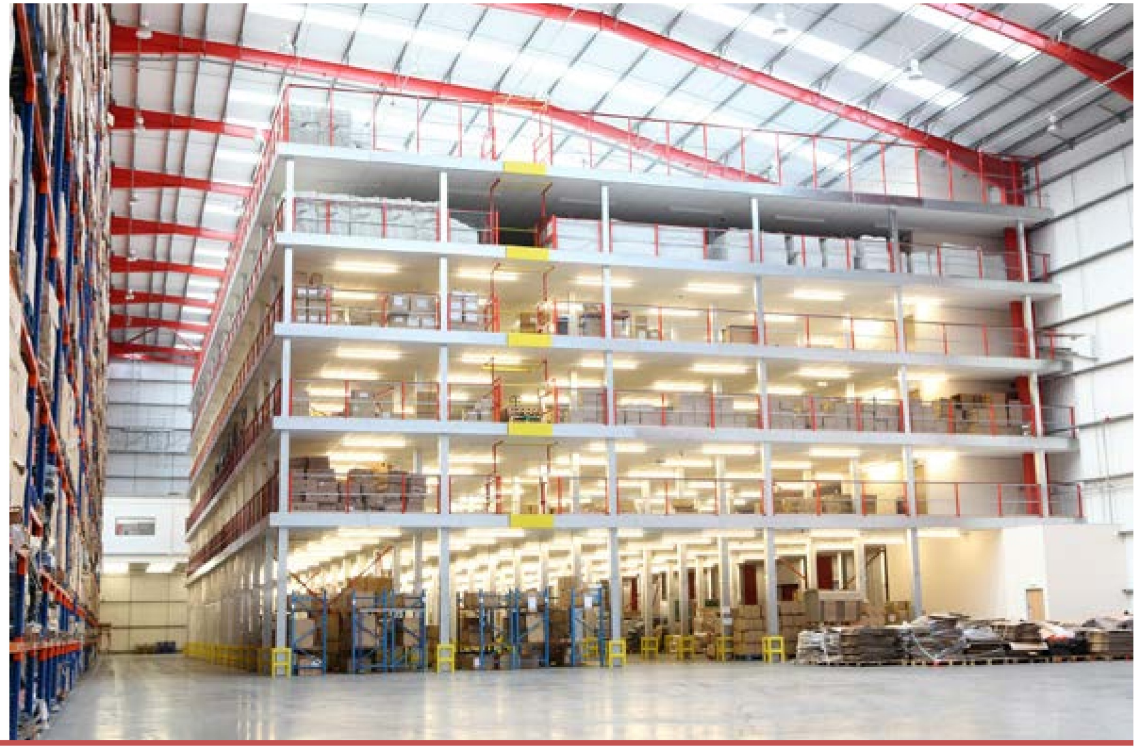
2.18

SE LEP partners are now working with a wide range of advanced manufacturing companies to promote innovation and help strengthen their supply chains. These include Essex Manufacturing Innovation and Growth – in partnership with the Institute for Manufacturing at the University of Cambridge, the Practical and Innovative Solutions for Manufacturing Sustainability (PrISMS) programme and with the Centre for Engineering and Manufacturing Excellence in neighbouring East London. East Sussex has 6.3% of its industry involved in production, higher than the SE at 5.6% and equal to the national rate. Work will continue, to understand the needs of the larger companies in the SE LEP area, such as BAE systems, e2v, Delphi and Cummins and their supply chains.

Transport and Logistics

2.19

SE LEP's partners see significant opportunity for growth in the transport and logistics sectors. Now open, the London Gateway Port and Logistics Park development will generate 12,000 direct and 20,000 indirect jobs. The expansion of Tilbury port will create up to 1,200 new jobs. London Thamesport and the Port of Sheerness offer significant potential for growth. Harwich will benefit from the expansion of the UK's offshore wind capacity, as well as oil and gas decommissioning. A potential second runway at Gatwick Airport, the busiest single runway airport in the world, will bring significant benefits for East Sussex and Kent with the creation of around 20,000 jobs on and off the airport. Stansted Airport is the fourth busiest in the UK by passenger numbers, and Southend Airport is will continue to expand. Smaller seaports in the area, as well as three smaller airports, also all offer further growth potential.



[15]ONS (2013) Business register and Employment Survey
[16]Kent & Medway Economic Review (2013) - note that there were changes in 2008 to the way in which the data is collected. Long-term growth rates should therefore be seen as approximate.
[17]UKCES (2012) Working Futures 2010-2020
[18]Department for Business, Innovation & Skills and UK Export Finance (2012) Industrial Strategy: Cable outlines vision for future of British Industry
[19]ONS, TCR & LCEGS Report for 2011/12. Note: GVA is not available for the Low Carbon sector, turnover has been used instead

Life Sciences and Healthcare

2.20

The UK is a world leader in life sciences and this sector features in the government's Industrial Strategy. The SE LEP area is central to the UK life science sector. The ambitious new owners of Discovery Park – a designated Enterprise Zone in Kent, will continue to attract investment from international and domestic life sciences companies. Kent Science Park near Sittingbourne also has a significant cluster of life-science companies and ambitious plans. The three Anglia Ruskin MedTech Campus centres and Maidstone Medical campus will attract companies of all sizes in the medical technology industry now worth £170bn per annum globally. Our other Enterprise Zone in Harlow will house one of the MedTech campuses.

Environmental Technologies and Energy

2.21

The global market for low carbon and environmental goods and services is rising rapidly as higher energy costs and regulation force the need for greater efficiency. The Ford Dunton Technical Centre is a world-leader in green automotive technologies. As a nationally designated Centre for Offshore Renewable Engineering (CORE), North Kent and along the coast to Ramsgate, is well placed to be at the forefront of growth in this sector. This sector would be enhanced further by granting CORE status to Harwich and the possible development of an innovation centre. Although subject to planning permission for the Off Shore Wind farm (OWF) East Quay at Newhaven is a key opportunity site for E.ON operations and maintenance base for the Rampion OWF and potential turbine construction. It also has future potential for other manufacturing and service activities in the OWF sector and the subsequent attraction of supply-chain activity linked to OWF. Thames Enterprise Park, on the site of the former Coryton Oil Refinery, will be a hub for new Environmental Technology and Energy generation companies backed up by Enterprise Zone status and a growing relationship with Northampton University – and international leader in Environmental Sciences.

CASE STUDY

Kinetika

Location: Pufleet HHPP
Industry: Creative

Kinetika is an internationally renowned company designing and producing extraordinary outdoor events which invoke the spirit of carnival . Examples of past projects include the FIFA World Cup opening and closing ceremonies (Abu Dhabi, 2009), the Athlete's Parade and Paralympic Closing Ceremony (London, 2012), Beijing Olympic Cultural Festival (2008) and Din Shuru (2003)

Kinetika is relocating its company from London to High House Production Park , the move is to support its ambitions for growth, the Park offers excellent workspace but also the opportunity to join a network creative businesses in an area that is actively encouraging the creative industries sector.

Creative, cultural and media, and the visitor economy

2.22

There are other significant sectors in the SE LEP area. These include the tourism sector, which employs 95,900 people, accounting for about 6.6% of total employment and 2.7% of total economic output[20]. The visitor economy is particularly important in SE LEP's rural and coastal areas. SE LEP also has specific strengths in the **creative, cultural & media** sectors. At High House Production Park in Thurrock an international centre for creative and cultural industries has rapidly grown around major investment from the Royal Opera House, National Skills Academy for Creative and Cultural Skills and Acme Studios. In the SE LEP area creative industries[21] employ 32,200 people and generate £2.5 billion in GVA. SE LEP makes the largest GVA contribution to this sector of any LEP outside of London[22] and is in an excellent position to take advantage of opportunities to build up a supply chain for London, the world's leading creative centre.

2.23

Agri Tech is a feature in the rural areas, well supported by the agricultural colleges and research centres in all three county areas.

[20]*TBR (2013), Trends Central Resource*
[21]*This includes the creative, cultural and digital sectors.*
[22]*Creative & Cultural Skills, Impact and Footprint 2010/11, (2010)*

CASE STUDY

Creative & Cultural Skills

Location: Pu fleet HHPP
Industry: Creative

Creative & Cultural Skills is an employer-led Sector Skills Council for the UK's creative and cultural industries. It has recently launched the industry's first National Skills Academy, dedicated to increasing skills levels and productivity.

In March 2013 Creative & Cultural Skills opened the Backstage Centre, the UK's first specialist technical training and rehearsal centre for the backstage workforce, based at High House Production Park in Thurrock. Creative & Cultural Skills was inspired to relocate its headquarters to Thurrock due to the unique opportunity it offered for the construction of a large-scale, world-class training facility within easy reach of London. The opportunity to work alongside of one of the world's greatest cultural brands, The Royal Opera House, was also a significant draw. Since relocating to Thurrock, the industry has followed, with the state of the art rehearsal space attracting leading players including Leona Lewis. Creative and Cultural Skills continues to forge opportunities for the next creative generation by working with its extensive network of employers to create industry endorsed training, and over a thousand young people have benefitting during its first twelve months in Thurrock. There is demand to scale up its innovative employer-led approach to training and work experience throughout the SE LEP area.