



Draft Leicester and Leicestershire Multi-Area Agreement

2009-2020

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FOREWORD

The current global economic downturn has presented us with new challenges and we are determined to overcome these by delivering effective solutions. It is an exciting time for our economy with unprecedented private investment accelerating underlying structural change. There is an increased sense of common purpose and political leadership, optimism and energy, encouraged by the proposals set out in the Sub-National Review of Economic Development and Regeneration (SNR). It is therefore an opportune time to develop a long-term economic vision for our future.

We have an ambitious economic vision for our sub-region, a vision to inspire businesses, residents and investors in our City, Market Towns and rural areas. We must capitalise on our enormous opportunities, playing to our strengths and overcoming challenges. We recognise that our authorities and partnerships must co-operate to create the added value necessary to achieve this vision. The Local Government White Paper and our Multi-Area Agreement (MAA) will provide us with the framework that makes this possible. Alongside our MAA, we have put into place new sub-regional governance arrangements and have agreed to establish an Economic Development Company which will drive forward the delivery of our MAA priorities and targets.

Our MAA proposal has a clear focus on economic development and an emphasis on employment, skills and business growth. The City of Leicester and its surrounding County, Leicestershire, functions as an integrated economic area and the MAA provides the opportunity for the City, County and District Councils and other partners to work together on this very important agenda. We want our MAA to build a strong relationship between local, regional and Central Government and other agencies. This new relationship should be based on shared objectives and flexibility and we look forward to working with Government to deliver our MAA and realise our economic aspirations.



David Parsons

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EXECUTIVE SUMMARY

The Local Government White Paper outlined the means by which sub-regions will work with Government to deliver joint priorities through Multi-Area Agreements. The publication of the Sub-National Review of Economic Development and Regeneration (SNR) provided further clarity as to what Government would expect to see from an MAA. The SNR is a positive step forward to improving the economic well-being of our sub-region and we strongly support its overall direction, especially the emphasis on devolution to the sub-regional level, the key role of elected local authorities in driving the process of economic growth and regeneration, and the need to improve the accountability of the regional tier.

The Leicester and Leicestershire sub-region has developed proposals for the elements that Government initially expected to see in MAAs, namely, governance arrangements, outcome-based targets, pooled and aligned funding and accountable bodies. A MAA provides us with an opportunity to engage with partners and align priorities; an opportunity to influence Government policy; a mechanism to generate additional investment and an opportunity to align LAAs across the sub-region on key strategic issues.

Our MAA proposal is simple and flexible, but has clear deliverables along with an accountable governance structure and measurable and relevant indicators. The high level objective of our MAA is to improve the economic performance of the Leicester and Leicestershire sub-region and hence improve the quality of life for our residents, workers and visitors. The concept of the MAA is a means of underpinning and facilitating the delivery of the existing Regional Economic Strategy (RES) and the future Single Regional Strategy (SRS). The primary objective of the Leicester and Leicestershire MAA is to establish a framework for the delivery of the SRS at a sub-regional level.

Added Value

This key objective for the MAA will be achieved through a number of supporting objectives, including:

- Efficiency and shortened timescales
- Better co-ordination of delivery
- Greater return on investment
- Generating increased economic growth (GVA).

The added value of the MAA is that it will provide a mechanism that produces a collective approach, bringing together Government and local partners, to tackle some of the major economic and social challenges facing the sub-region. The MAA will allow us to prioritise our investment and ensure we have a mechanism and governance structure that will make decisions about where and how funding is allocated and make efficiency savings within the delivery process.

Rationale, Scope and Priorities

The rationale for developing the MAA around our economic priorities is based on the geography of the area. The sub-region consists of nine local authorities and has a 'core-periphery' structure with a large city as its centre, surrounded by densely populated towns, which themselves are surrounded by a large rural hinterland. The population of the sub-region is approximately 916,000 people; 288,000 in the City and 628,000 in the County. The sub-region functions as an integrated economic area because of its travel to work and retail patterns and inter-commuting and transport links.

Our MAA proposal has a clear focus on economic development and an emphasis on increasing employment, raising skill levels and increasing business growth. The scope of the Leicestershire MAA has been agreed in principle with CLG and the Government Office for the East Midlands (GOEM), although there have been discussions about extending the MAA in the near future to include areas such as transport, housing and environment. Our priorities have been closely aligned to the RES and are firmly embedded within the City and County Sustainable Community Strategies (SCS).

Our Sustainable Community Strategies share three common economic development themes and these are reflected in the priorities being proposed for our MAA: Business and Enterprise, Employment & Skills and Infrastructure. We believe the successful delivery of our MAA will deliver our SCSs and will make a significant contribution to achieving the regional vision and priorities.

Governance and Delivery

The proposed governance arrangements seek to provide a structure within which the Economic Development theme of the respective Sustainable Community Strategies of Leicester and Leicestershire's Local Strategic Partnerships can be managed and delivered. The MAA is being developed to provide the framework for delivering part of the combined economic development and environment priorities articulated in the City and County SCSs.

The governance model reflects an intention for the economic development agenda to be delivered on the basis of a combined Leicester and Leicestershire approach rather than through separate arrangements. The proposed model recognises the need to manage the respective roles, relationships and contributions of the County, City and District Councils and other partners. Critically, the governance model proposes a separation of 'strategy' and 'delivery' activity. The strategy will cover the full range of economic development and environment issues for the sub-region, including the MAA. It is proposed that the strategy for the sub-region will be held, monitored and reviewed by a Leadership Group. This will be the strategy holding body where delivery priorities for economic development and regeneration, transport, housing and the environment will be determined.

Current economic development activity is organised at County, City and District levels and a range of existing agencies are operating across different geographies and pursuing various strands of economic development related activity. The Leicester Shire Economic Partnership (LSEP) is the Sub-Regional Strategic Partnership (SSP) which currently provides the strategic direction for economic development activity in Leicester and Leicestershire. In view of these complexities, the City and County Councils along with the support of the District Councils and emda, have agreed to establish an Economic Development Company (EDC) to lead economic development delivery in the sub-region. It is proposed that the EDC will form part of a wider delivery structure focusing on specific themes. Alongside the EDC, a range of other agencies will be responsible for delivering other aspects of the economic development and environment theme.

Performance Management Framework

The Government has indicated that the relationship between LAAs and MAAs should be complementary rather than hierarchical, and that the objectives of the MAA should avoid becoming an aggregation of LAA outcomes. MAAs will be measured according to their ambition and the added value they bring to national, sub-national, sub-regional and local objectives. Our MAA is founded on supporting the delivery of long-term strategic economic change and transformation in the sub-region underpinned by closer joint working between partners.

The Leicester and Leicestershire MAA will include the following indicators which, feature in both the City and County Council's LAAs and will provide the MAA with a clear focus on economic development:

- NI 117 - 16-18 year olds that are NEET
- NI 152 - Working age people on out of work benefits
- NI 163 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher
- NI 165 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher
- NI 172 - Percentage of small businesses in the area showing employment growth
- NI 179 Value for money - total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year
- Local Indicator - Employment land and premises

These indicators are closely aligned to national Departmental Strategic Objectives (DSO) and to Public Service Agreements (PSA). The overall

performance management framework for our MAA reflects the contribution it will make to sub-regional, regional and national performance.

The Agreement

It is essential that all tiers of Government and the other agencies are fully committed to the MAA in order for it to add value to existing delivery arrangements. We want our MAA to build a strong relationship between local, regional and central Government and other agencies. This new relationship should be based on shared objectives and flexibility. In order for our MAA to deliver our shared priorities, there are a number of 'asks' we would make of Central Government and national and regional agencies.

- **ASK 1**
The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate
- **ASK2**
Approval and strategic appraisal of projects within an emda approved programme to rest with the Leadership Group
- **ASK 3**
Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies
- **ASK 4**
MAA Partnership should influence the commissioning of regional contracts relating to business support, employment and skills.
- **ASK 5**
New flexibilities and measures for HEFCE and Train to Gain to support higher level skills development in the Sub-Region
- **ASK 6**
Easements on the rules around work experience and allowing benefit claimants a "Benefit Run –on" for the first month of employment

In exchange for the above 'asks', the MAA partnership will deliver a broad programme of strategic investment relating to business and enterprise, employment and skills and infrastructure in order to deliver the targets and outcomes outlined in this agreement with Government. We propose to implement our MAA from 1st April 2009 to 2020. The MAA will undergo frequent reviews and refresh at intervals to be agreed with Government. This timeframe will enable the MAA partnership to make a positive impact on sub-regional economic performance. By April 1st 2009, we will have prepared a detailed MAA Implementation and Investment Plan underpinned by a Sub-Regional Economic Assessment. We will also have established new governance and delivery arrangements, in the form of a Leadership Group and Economic Development Company (EDC).

1. INTRODUCTION

1.1 The Leicester and Leicestershire sub-region is coterminous with the County area and consists of the following nine local authorities:

- Leicester City Council
- Leicestershire County Council
- Blaby District Council
- Charnwood Borough Council
- Harborough District Council
- Hinckley and Bosworth Borough Council
- Melton Borough Council
- North West Leicestershire District Council
- Oadby and Wigston Borough Council

Geographically, the sub-region has a 'core-periphery' structure with a large city as its centre, surrounded by densely populated towns, which themselves are surrounded by a large rural hinterland. The population of the sub-region is approximately 916,000 people; 288,000 in the City and 628,000 in the County. This is the largest of the seven sub-regions in the East Midlands, and represents 21% of the region's population of just over 4.3 million.

1.2 The Local Government White Paper outlined the means by which sub-regions will work with Government to deliver joint priorities through an MAA. The publication of the SNR provided further clarity as to what Government would expect to see from a MAA. The Leicester and Leicestershire Sub-Region has considered the elements that CLG initially expected to see in MAAs, namely, governance arrangements, outcome-based targets, pooled funding and accountable bodies. These principles provided a starting point for considering what should be included within our MAA proposal.

1.3 The MAA provides us with an opportunity to engage with partners and align priorities to those of the sub-region; an opportunity to influence Government policy; a mechanism to generate some additional investment and an opportunity to align LAAs across the sub-region on key strategic issues.

1.4 The economic development, employment and skills, transport and spatial planning agendas offer the most likely opportunities for developing a sub-regional MAA and are largely based around the Economic Development and Environment Theme of the LAA. The initial focus of the Leicester and Leicestershire MAA will be on the economy, although areas such as transport, housing and environment will be considered for inclusion in the near future. It is therefore important to understand the current economic profile of the sub-region and the key challenges it faces:

Business and Enterprise

- GVA per head in Leicester City has been consistently above the regional and UK averages since 1996. However, GVA per head in the county of Leicestershire has fallen below the regional average since 1999.
- In 2006, GVA was the highest of all the sub-regions in the East Midlands at an estimated £15.3 billion. GVA is forecast to grow by 31% between 2006 and 2016 – slightly faster than the regional average of 30.2%.
- Both primary production and lower value added services account for a large proportion of output and employment in the sub-region.
- Specific sectors which are noticeably more concentrated in the sub-region than in the East Midlands or UK as a whole include textiles and clothing and gas, electricity and water.
- GVA per head for rural Leicestershire is amongst the highest of all rural areas in the region.
- More than a quarter of employees worked in the public sector in 2005, whilst 16% were employed in manufacturing, 5% in construction, and 2% in primary production.
- Business density is higher than the regional average, particularly so in more rural parts of the sub-region.
- The majority of businesses are in the service sector. Between 1994 and 2006 the number of businesses grew by 13.5%, with almost all of this increase being accounted for by growth in the number of service sector businesses. The number of manufacturing businesses has declined.
- The business start-up rate in the sub-region is above the regional average, at 38 VAT registrations per 10,000 adults in 2005, compared to 34 per 10,000 in the region. However, survival and growth rates are lower than the national average.
- Rural areas in the sub-region provide more business start-ups per 10,000 adults highlighting the potential for growth and provision of local employment in more rural areas

Employment and Skills

- Economic activity and employment rates are slightly higher than the regional average, but there is significant variation across the sub-

region. Leicester City has some of the lowest economic activity and employment rates in the East Midlands.

- The self-employment rate is just above the regional average and tends to be higher in the rural parts of the sub-region.
- In line with the region as a whole, just over a quarter of economically active adults in the sub-region are qualified to degree level or higher.
- The proportion of people qualified to NVQ Level 2 is below the regional average and there are a high proportion of adults with no qualifications, especially in Leicester City. At all qualification levels, the performance of the City is significantly lower than that of the County.
- Average earnings of people working in the sub-region are slightly higher than the regional average.
- Employment growth over the decade 2006-2016 is forecast to be similar to the regional average, at 3.2%.
- Levels of deprivation in the County is relatively low, however the City is the second most deprived local authority area out of the 40 in the East Midlands.
- The proportion of people claiming out of work benefits is lower than the regional average. However, there are significant differences within the sub-region, with Leicester City having the highest proportion of claimants.

Infrastructure

- There is an inadequate supply of the right types of employment land and premises to satisfy demand from inward investors and indigenous businesses.
- A larger proportion of residents use public transport to commute to work compared to the regional average, and a smaller than average proportion travel by private vehicles.
- Residents of Leicester and Leicestershire tend to travel shorter distances to work than the regional average. More than a fifth of the sub-region's population travel between 2 and 5 kilometres to work, whilst 12% travel more than 20 kilometres.
- Emissions of CO₂ per capita are lower than the regional average, at 9.5 kilotonnes per capita in 2004, compared to 10.3 kilotonnes per capita for the East Midlands as a whole.

- Average house prices are amongst the highest in the East Midlands and the gap between the average price in the sub-region and in the region as a whole has been steadily widening since 2001. House prices are highest in Harborough and Melton, and lowest in the City.
 - In 2005-06, 14% of all new homes completed in the East Midlands were built in the sub-region with the largest numbers built in Leicester City. The sub-region experienced a fall in house building between 2004 and 2006.
- 1.5 The Leicestershire sub-regional economy cannot be viewed in isolation and is part of a wider economy influenced by global factors. It is therefore essential to understand and appreciate that international and national factors will have a greater impact on our economy than our regional and local interventions. Since the creation of the Regional Development Agencies in 1999, the East Midlands Region has been vying to become a top 20 region in Europe by 2010. Emda has made strides towards this target, as the region has climbed from 35th place in 2003 to 28th place in 2005. Emda has recently released its third Regional Economic Strategy (RES), which sets the framework for ensuring the long term sustainable economic growth of the region.
- 1.6 The SNR proposes a greater strategic role for the RDAs with additional responsibilities for transport, housing, spatial planning and the environment. This includes proposals for the RDAs to prepare a Single Regional Strategy (SRS) to ensure that regional priorities for economic growth and spatial planning are aligned. A focus on delivering the Regional Economic Performance PSA 7 target should be the primary driver of the SRS and the additional responsibilities will ensure that growth is well planned, deliverable and fully sustainable.
- 1.7 A primary objective of the Leicester and Leicestershire MAA is to establish a framework for the delivery of the SRS at a sub-regional level. The Leicester Shire Economic Partnership (LSEP) has recently published the sub-regional economic strategy, 'Leicestershire 2020', which identifies the high level strategic objectives and priorities for the sub-region. This strategy will be replaced by the Sub-Regional Economic Assessment which is being prepared jointly by the City and County Councils. Although, the MAA will initially have an economic focus, there is a strong case for it to include transport, housing and the environment which are the key priorities within the Economic Development and Environment Theme of the LAAs. The RDAs will be responsible for providing the strategic direction for the majority of the fourth theme priorities following the implementation of SNR and our MAA will ultimately form the sub-regional delivery framework for this very important agenda.

2. PRINCIPLE AND OBJECTIVE

Principle of the MAA

- 2.1 The City and County LAAs were submitted to the Department for Communities and Local Government (DCLG) on 2nd June 2008 and approved by Government on 1st July 2008, under section 107 of the Local Government & Public Involvement in Health Act 2007. The complex process undertaken to develop our second LAAs led to an agreement amongst partners to develop an MAA that is simple, flexible, but has clear deliverables, an accountable governance structure and measurable and relevant indicators. Our MAA proposal is complementary to the City and County LAAs and draws on local priorities which are best tackled at a sub-regional level. It is a mechanism to deliver sub-regional priorities in order to improve economic performance and to deliver efficiency savings across public agencies in Leicestershire.
- 2.2 The scope of the Leicestershire MAA has been agreed in principle with CLG and the Government Office for the East Midlands (GOEM), although there have been discussions about extending the MAA in the near future to include areas such as transport, housing and environment. The MAA Partnership has agreed to concentrate on economic development in the first instance, whilst allowing the opportunity for the MAA to be extended to include housing, transport and environment at a later date.

Objective and Added Value of the MAA

- 2.3 Having established the key principle, it is important to set down at the outset the key objective of the MAA and to communicate the benefits of the MAA to a wide range of stakeholders. The high level objective of the MAA is to improve the economic performance of the Leicestershire sub-region and hence improve the quality of life for our residents, workers and visitors. The concept of a MAA is a means of underpinning and facilitating the delivery of the existing Regional Economic Strategy and the future Single Regional Strategy. We believe that the objectives for our MAA have to relate principally to economic development but there will be clear links with housing, planning, transport and environmental issues.

This key objective for the MAA will be achieved through a number of supporting objectives, including:

- Efficiency and shortened timescales
- Better co-ordination of delivery
- Greater return on investment
- Generating increased economic growth (GVA).

The latter supporting objective in particular has a close relationship with the RDA's PSA 7 target and Central Government objectives, and is a recurring theme of the SNR.

- 2.4 The MAA is closely aligned to national Departmental Strategic Objectives (DSO) and to Public Service Agreements (PSA). We believe that the successful delivery of our MAA will make a positive contribution to national performance and help Central Government Departments deliver the following DSOs and PSAs:

PSA 1 - Raise the productivity of the UK Economy

PSA 2 - Improve the skills of the population, on the way to ensuring a world class skills base by 2020

PSA 7 - Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions

PSA 8 - Maximise employment opportunity for all

PSA 10 - Raise the educational achievement of all children and young people

DBERR DSO 1 - Promote the creation and growth of business and a strong enterprise economy across all regions

DIUS DSO 2 - Improve the skills of the population throughout their working lives

DWP DSO 2 - Maximise employment opportunity for all and reduce the numbers on out-of-work benefits

DCSF DSO 5 - Ensure young people are participating and achieving their potential to 18 and beyond

- 2.5 The added value of the MAA is that it will provide a mechanism that produces a collective approach, bringing together Government and local partners, to tackle some of the major economic and social challenges facing the sub-region. Economic development is better reviewed at a sub-regional level and cannot realistically be delivered through an extension of the LAA process. The MAA provides a mechanism for gaining Government approval for the outcomes that we are pursuing in order to achieve our economic aspirations. This is crucial to being able to get endorsement for our proposals from the public, businesses, politicians and partners. It should also provide reassurance to the Government that there is a governance structure in place that is accountable, can take difficult decisions, and is one that complements existing Local Government arrangements.

- 2.6 The MAA will also add value because it offers a greater degree of flexibility and the ability to move resources across different funding streams to maintain the delivery of the desired outcomes. This flexibility will allow us to deliver a more effective economic programme on time and to budget. Without long term funding certainty, this would not be possible to the same extent. To work effectively, there may also be a need to review the rules governing certain funding sources.
- 2.7 The Leicestershire MAA will provide a 'buy in' from all parties through an arrangement that has a protocol and is signed, committing partners to delivering real economic benefits. This will add value because it will demonstrate that there is a commitment from all partners and that the Government is supportive of our joint approach. Another important benefit of the MAA is that it will allow us to prioritise our investment and ensure we have a mechanism and governance structure that will make decisions about where and how the funding is allocated, as well as making efficiency savings within the delivery process.
- 2.8 The three year efficiency target for public agencies in Leicestershire is over £180m. The City and County Councils, District Councils, City PCT, County PCT, Fire service and Police service recognise this as a key challenge for all partners and that this is an objective where real benefits can be achieved by incorporating the target in the MAA. The benefit of tackling the issue through an MAA is that by working together in partnership, including examining the potential for shared services and joint commissioning, these challenging targets are more likely to be met.

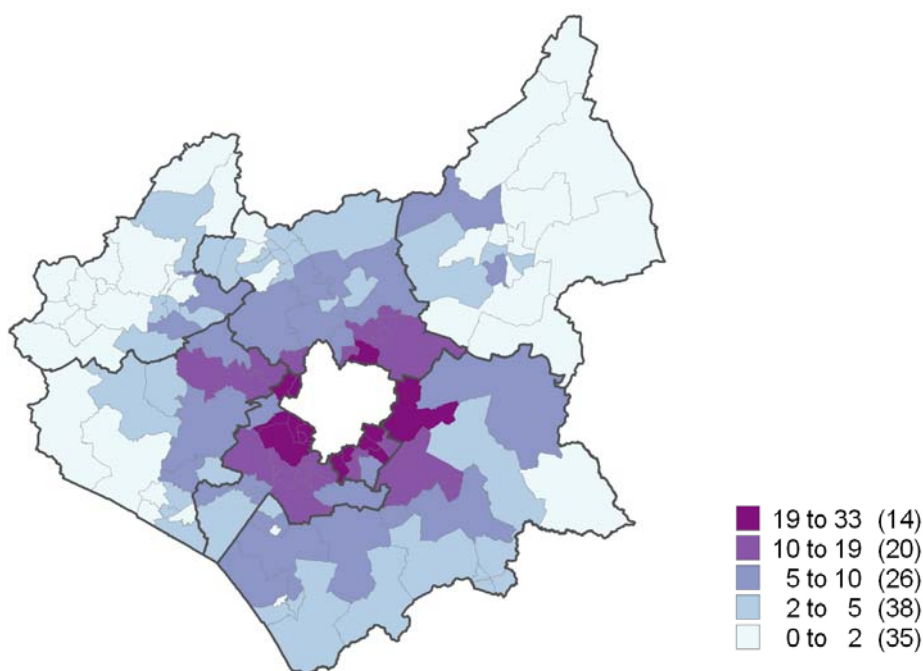
3. RATIONALE

3.1 The Leicester and Leicestershire MAA proposal has a clear focus on economic development and an emphasis on reducing worklessness, improving skill levels and increasing business growth. The rationale for developing the MAA around these economic priorities is based on the geography of the sub-region. Leicester and Leicestershire functions as an integrated economic area because of its travel to work and retail patterns and inter-commuting and transport links. The MAA therefore provides the opportunity for the City, County and District Councils to work together on shared targets and priorities. The City of Leicester is central to the sub-region and drives the economy. It is surrounded by established towns and villages, each with easy access to the city through well established transport links. This encourages flows both in and out of the city for employment, retail and education.

Travel to work

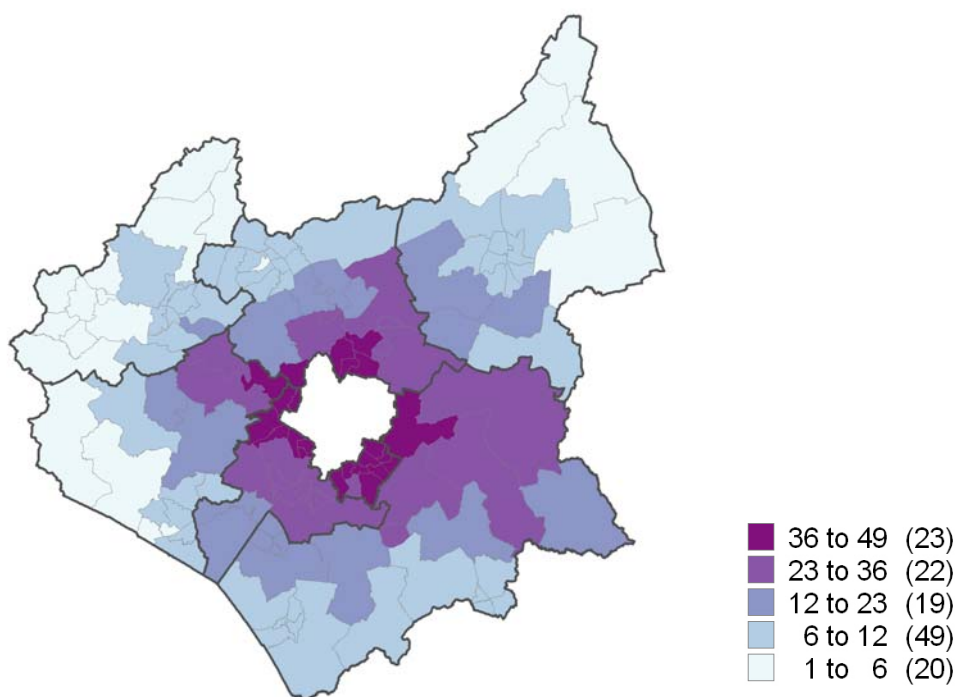
3.2 Map 1 illustrates the proportion of the population who work in the County but live in the City. It highlights the County wards where people living in the City work, as a proportion of all the workers in that ward. 14 wards have between a fifth and a third of its workforce commuting from the City. These are all situated around the border of the City with clusters around Blaby. Harborough and Loughborough also have significant proportions of workers commuting from the City.

Map 1 showing % of population working in County who live in the City



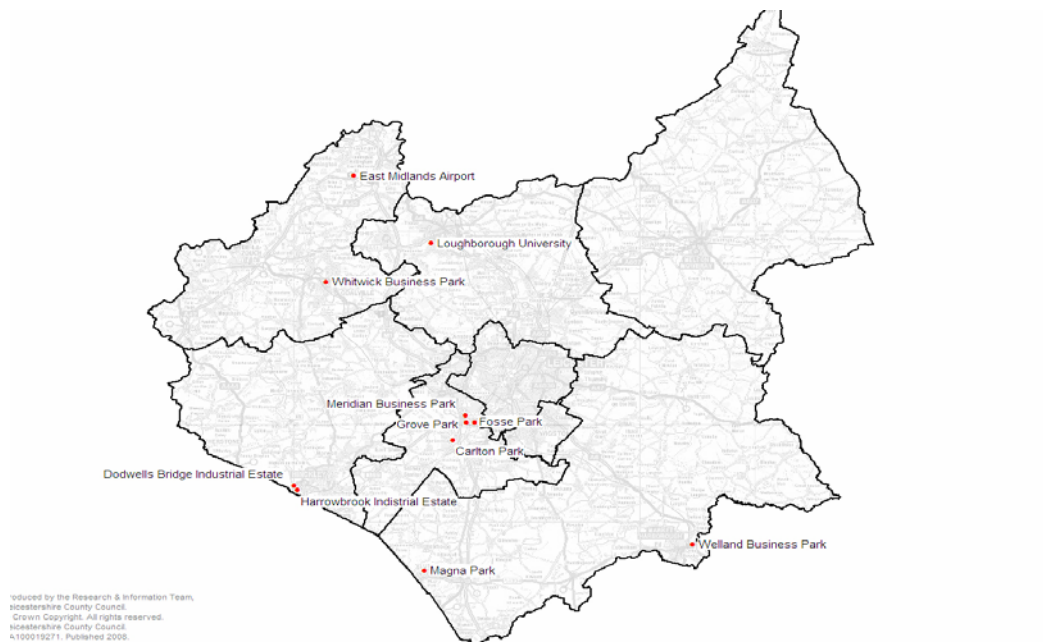
- 3.3 Map 2 illustrates the proportion of the population who work in the City but live in the County. 23 County wards have between a third and a half of their workforce commuting to the City. Again, these are situated around the boundary of the City with clusters around Oadby, Birstall and Glenfield. Wards towards Market Harborough also have a relatively high proportion of people working in the City.

Map 2 showing % of people living in the County who work in the City



- 3.4 In total, 70,800 people commute into the City each day, compared to 27,600 commuting out, giving a net commuting in balance of 43,200. Consequently the County districts have larger numbers of workers commuting out of the area, with the exception of North West Leicestershire which has a net balance of 3,000. Charnwood has the largest out-commuting net balance with 12,500 more people commuting out than in.
- 3.5 Map 3 illustrates some of the key employment sites around the County. Many of these are situated close to the City in Blaby, attracting a workforce from both City and County. However, other business parks and key employers also have strong influences over the economically active population in areas beyond the immediate surroundings. Examples include Bishop Meadow Estate (largely professional occupation) and Magna Park (routine occupations) attracting commuters along the M1.

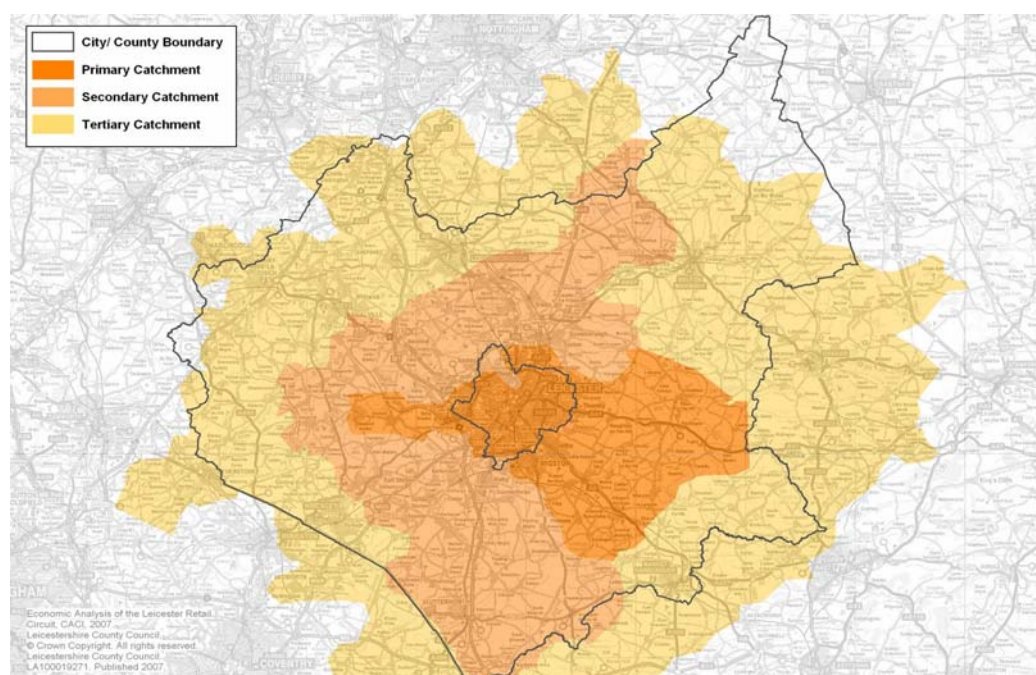
Map 3 showing Key Employment sites in the County



Retail Catchment

3.6 Leicester City Centre attracts shoppers from around the County due to its accessibility and transport links. Map 4 below illustrates the retail catchment area of the city. The Primary catchment is defined by where the first 50% of Leicester's shoppers come from. The Secondary catchment is where the next 25% come from, with Tertiary representing the next 15%.

Map 4 showing the retail catchment area of the City Centre



	Primary	Secondary	Tertiary
Total population	385,462	248,978	508,989
Total Households	156,642	103,356	208,915
Total Comparison Goods Expedition (£million)	£682.10	£478.46	£1,024.35
Market Share of Population (Leicester City Centre)	67.20%	51.00%	15.20%
Comparison Goods Market Potential (£million)	£458.13	£242.49	£154.57
Origin of Leicester City Shoppers	50%	25%	15%

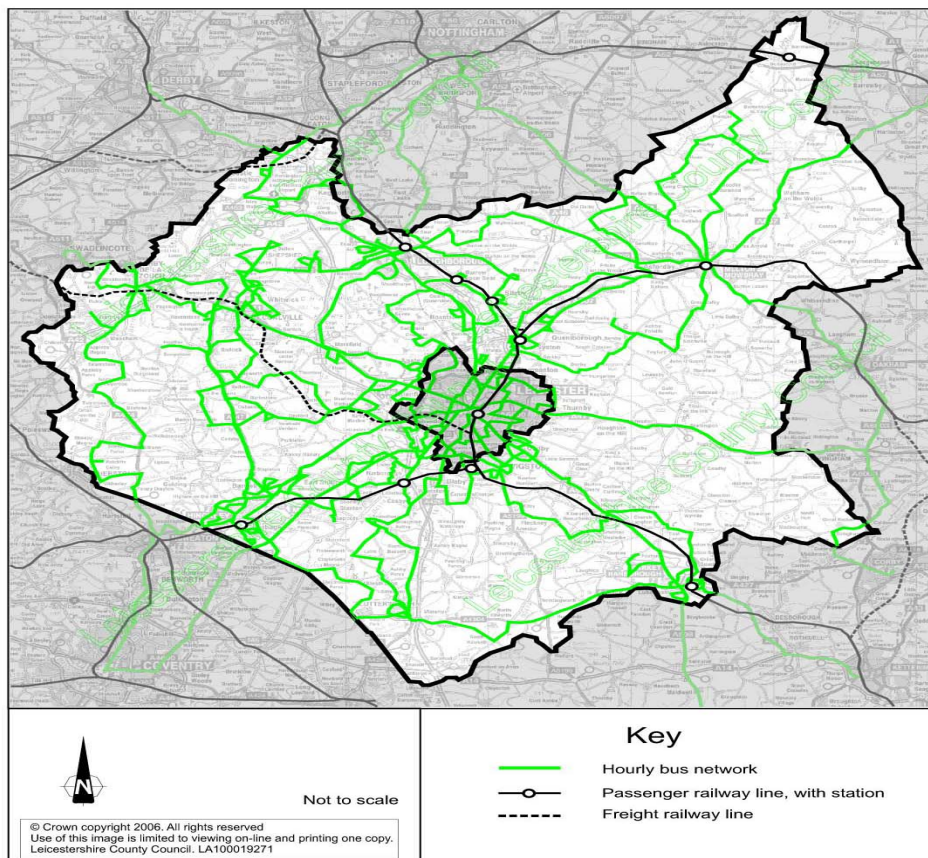
Sources: Census, EFES, CACI Retail Footprint

Leicester’s core catchment spreads east of the City into Oadby and Harborough where there is less competition from other nearby cities. Fosse Park in Blaby is Leicester’s main competition with its core catchment area overlapping that of the City Centre.

Transport links

- 3.7 The City benefits from effective transport links via bus, car or rail. Map 5 below illustrates the hourly bus routes and passenger rail lines, highlighting the accessibility into the city from both towns and villages within the County.

Map 5 showing hourly bus routes and rail network



Education

- 3.8 The high attainment scores and reputation of County Schools draws in a significant number of pupils from the City, particularly at ages 11-16. At primary level 3.5% of county pupils currently live in the city, rising to 7.1% at secondary level, making up 14.4% (2,777 pupils) of secondary age living in the City. 4.9% of the pupils who live in the County are educated in the City.
- 3.9 In years 12 and 13 (Further Education) 16.9% of City students are educated in the County, almost half attending either Beauchamp Community College or Loughborough College. Conversely, 14.4% of County students are educated in the City with over 60% attending Leicester College.
- 3.10 Leicestershire is also home to three universities, the University of Leicester and De Montfort University in the City, and Loughborough University in the County. The universities produce over 15,000 graduates a year and evidence suggests that a significant number of graduates are forced to leave the sub-region due to lack of suitable employment opportunities.

4. SCOPE AND PRIORITIES

- 4.1 The Leicester and Leicestershire MAA will focus on improving the economy, which is the LAA workstream best addressed at a sub-regional level. This is not to say that the MAA could not be adapted to reflect wider priorities within Leicestershire, just that the focus on economic development provides a clear link from which the concept of an MAA emerged. This approach also drew on considerable work already undertaken by the two upper tier Local Authorities in preparing our Sustainable Community Strategies (SCS) and LAAs. This work has proved valuable to help develop further the scope and priorities for our MAA proposal.
- 4.2 This is an exciting time for the economy of the City and County of Leicestershire, with unprecedented private investment accelerating underlying structural change. It is the opportune time to develop a long-term economic vision for our future. There is an increased sense of common purpose and political leadership, optimism and energy, encouraged by the proposals set out in the Sub-National Review of Economic Development and Regeneration (SNR).
- 4.3 We have an ambitious economic vision for Leicester and Leicestershire, a vision to inspire businesses, residents and investors. We must capitalise on our enormous opportunities, playing to our strengths and overcoming challenges. In 2020 Leicester and Leicestershire will have a prosperous, enterprising and dynamic economy, characterised by innovative businesses and creative people, attractive places and sustainable communities. We will achieve this by delivering our MAA priorities and objectives. We recognise that our authorities and partnerships must co-operate to create the added value necessary to achieve our vision. The White Paper and the MAA gives us a framework that makes this possible.

Delivering the RES

- 4.4 During 2007 the East Midlands Development Agency (emda) published a new Regional Economic Strategy (RES), which sets out the framework for the development of the East Midlands economy. This has lead partners in Leicester and Leicestershire to review our sub-regional priorities for economic development. Consequently, our priorities have been aligned to the RES and are now firmly embedded within the City and County Sustainable Community Strategies.
- 4.5 We believe the successful delivery of our MAA will make a significant contribution to achieving the regional vision and priorities. The RES identifies four key economic drivers in order to increase productivity so we can match and then exceed UK levels;

- **Skills:** addressing the relatively high proportion of people with no qualifications and enabling more people who are in work to develop higher level skills;
- **Innovation:** helping to increase investment in research and development by businesses, particularly small and medium sized enterprises - and ensuring far more good ideas are translated into new or improved products or services;
- **Enterprise:** improving rates of company formation and survival, and creating a culture of enterprise which begins at school;
- **Investment:** improving levels of investment in the service sector, so the region is equipped to maximise the opportunities from this fast-growing part of the economy.

4.6 This RES vision is underpinned by three main themes:

- **Raising productivity:** enabling our people and businesses to become more competitive and innovative;
- **Ensuring sustainability:** investing in and protecting our natural resources, environment and other assets such as infrastructure;
- **Achieving equality:** helping all people to realise their full potential and work effectively together to enrich our lives and our communities.

Within the three main themes, the RES identifies ten regional strategic priorities shown in the table below. Our MAA directly addresses six of these regional priorities with the remaining four being addressed through the City and County LAAs. The delivery of our MAA will also impact on transport and logistics, energy and resources, environmental protection and cohesive communities.

Regional Strategic Priority (RES)	Sub-Regional Delivery
Employment and skills	MAA
Enterprise and business support	MAA
Innovation	MAA
Transport and logistics	City / County LAAs
Energy and resources	City / County LAAs
Environment protection	City / County LAAs
Land and development	MAA
Cohesive communities	City / County LAAs
Economic renewal	MAA
Economic inclusion	MAA

MAA Strategic Priorities

- 4.7 Our overarching priority is to improve our economy and generate wealth through innovation and creativity. This requires vibrant and effective private, public and third sectors, working together. The MAA provides a great opportunity to help us achieve our strategic objectives with partners across the sub-region working collaboratively to deliver the key shared targets and priorities.
- 4.8 Our Sustainable Community Strategies share three common economic development themes and these are reflected in the measures being proposed for our MAA: Business and Enterprise, Employment & Skills and Infrastructure.

Business and Enterprise

- 4.9 Having a dynamic, enterprising and prosperous business community is central to this MAA proposal. Many Leicestershire businesses already report strong sales and profits and we have some highly innovative Small to Medium sized Enterprises (SMEs) with a global presence. To continue to prosper, our businesses recognise the need to innovate and have access to the right support.
- 4.10 Our economy has already undergone significant change, but further changes will need to take place if the economy is to compete globally. Leicestershire's economy is beginning to succeed in moving from a traditional manufacturing base to one where "high tech" manufacturing prospers and where we have growing employment in knowledge intensive business services, consumer services and creative industries.
- 4.11 We must continue to improve our sector structure so that we have more employment in high skill, high wage sectors and less employment in low skill, low wage sectors. This will also drive up the demand for skills, create clusters of opportunity in key sectors and help our area to attract new investment. At the same time, we must develop local supply chains to keep wealth in our local economy and benefit local communities.

Objectives for 2020

- Dynamic, enterprising and prosperous economy, where GVA per head is above the regional and national figures
- Leicestershire's average earnings are in line with the national figures
- Increased business start ups, survival rates and growth rates
- Increased employment in high technology and knowledge intensive sectors
- Strong local supply chains

Priorities

- Promote a culture of innovation in all Leicestershire's organisations
- Increase confidence in individuals to start up businesses
- Provide access to high quality support for business start ups, including social enterprises
- Simplify access to good quality and relevant business support
- Improve the image of the sub-region to attract inward investment and generate high value employment opportunities
- Promote and facilitate growth of local supply chains
- Provide specialist support to high growth businesses
- Help local businesses to access public sector procurement opportunities, including 2012 Olympic opportunities
- Influence public sector policies to support local procurement
- Develop and implement sector specific action plans for:
 - High Tech Manufacturing
 - Food and Drink
 - Technology & Environment
 - Knowledge based services; especially professional and business services, creative and cultural industries
 - Consumer based services; especially retail, tourism and sport related industries
 - Construction
 - Extend and develop science, research and technology parks

Employment and Skills

- 4.11 Our economy needs skilled, enterprising and creative people to prosper. We are performing below the national average on most workforce qualification indicators at a time when the UK as a whole needs to raise its game. The problem is particularly marked in Leicester City, where 45% of the working age population (19+) do not have a level two qualification (compared to 33% for England).
- 4.12 We also need to retain the graduates from our three leading universities in Leicestershire by providing appropriate career opportunities, placement opportunities and support to encourage enterprise. Our workforce needs to have the skills that businesses want, both now and in the future. 33% of local businesses report that skill shortages are having an impact on business performance. In addition, two-thirds can identify skills gaps in their current workforce.
- 4.13 Our vision is that all people will have access to employment and training opportunities. The employment rate for Leicester City is low at 67.5% compared to 74% for Great Britain as a whole. There are a significant number of deprived neighbourhoods in Leicester City and additional pockets of deprivation in the County. These deprived areas

are characterised by high levels of worklessness, low levels of qualifications and low aspirations.

- 4.14 The performance of primary and secondary schools has a profound impact on image, investment and the economy as a whole. We have some very successful and innovative schools in our area. We will need to address the variability in the performance of schools and achieve good standards in all of our schools.

Objectives by 2020

- Achieve culture change, where people have high aspirations
- Over 30% of the working age population has a level 4 qualification
- Over 80% of the working age population have a level 2 qualification
- Employers find appropriately skilled staff and access relevant training
- Increased number of people completing apprenticeships
- Employment rate increased to 80% in Leicester
- Reduction in number of people on out of work benefits

Priorities

- Create high quality job and career opportunities
- Encourage a culture of innovation, enterprise, creativity and success amongst young people in schools and colleges, raising aspirations
- Increase skills at all levels in the workforce
- Work with employers to meet sector specific skill needs at all levels including technicians, apprenticeships and professional specialists
- Ensure the training infrastructure is fit for purpose to meet future skill needs
- Reduce worklessness by supporting the very low skilled, the unskilled and those on benefits to move them into employment
- Improve access to learning and employment
- Encourage employers to invest in training
- Improve key, basic and employability skills of young people
- Address the performance of some primary and secondary schools

Infrastructure

- 4.15 Having the right infrastructure is vital to improving economic prosperity in Leicestershire. Accessibility and attractive infrastructure are important to the area's image and in attracting new investment to the sub-region. We will achieve this by providing "fit for purpose" employment land, premises, housing, transport and high quality facilities for sport, retail, leisure and cultural activities. We will ensure that the planning and provision of this infrastructure is better integrated to maximise the impact infrastructure can have on the economy.

- 4.16 Leicestershire enjoys a central location in the UK, at the heart of the motorway network with particularly good north/south road links. East Midlands Airport is the second largest freight airport in the UK. Rail accessibility is also good, with East Midlands Trains offering a regular high-speed service to London St Pancras and Sheffield. Brussels and Paris are accessible within 4 hours.
- 4.17 A relatively high proportion of people travel to work by car which leads to some traffic congestion at peak times around Junction 21, and on major routes into Leicester and Loughborough. The sub-region needs better public transport to connect communities with employment opportunities and leisure activities.
- 4.18 A recent study has highlighted a shortage of available employment land and premises in Leicester City and parts of the County to meet existing and future demand from indigenous businesses and inward investors. This is important in the context of a driving economic growth. We will aim to create a thriving local market for new industrial and commercial premises with positive growth in rent levels and capital values.
- 4.19 There will be significant housing growth in the sub-region over the next twenty years. This will include more housing in Leicester City and a number of Sustainable Urban Extensions (SUSs) adjoining Leicester and the main towns in the County. These new developments will be attractive and well integrated in terms of transport, employment and leisure opportunities.

Objectives by 2020

- Good choice of high quality employment land and premises available with specific employment sites clearly identified
- Attractive public realm and built environment, including housing developments, retail centres, leisure/cultural facilities and surrounding areas
- Area is recognised for innovation and creativity in terms of building design
- Efficient and effective transport system
- Reduced congestion and improved air quality

Priorities

- Strategic approach across the sub-region to the allocation of employment land and premises
- Ensure there is a sufficient supply and range of premises to meet the needs of different sizes and types of business
- Provide support to improve the attractiveness of Leicester, market towns, other urban settlements and rural centres.
- Ensure that new and existing residential developments incorporate and/or have good links to employment opportunities.

- Provide people in urban and rural areas with viable, attractive, affordable and accessible transport choices - especially public transport
- To reduce congestion and support the aims of the local transport plans

Efficiency

4.20 The public sector faces significant pressure to meet the latest efficiency targets. For the majority of public sector organisations in Leicestershire this means that over the three year period of the 2007 Comprehensive Spending Review, public agencies will need to make cashable savings of over 9%. This represents a considerable increase on previous targets. Discussions held by the Leader of the County Council with CLG Ministers suggested there is considerable interest in including the NI 179 efficiency target in the MAA and agreement has been reached between the City and County Councils, District Councils, City PCT, County PCT, Fire service and Police service about the inclusion of this indicator in the MAA.

5. DELIVERY AND RESOURCES

- 5.1 The structure of local government in the sub-region introduces particular challenges in terms of delivery and resources. Current economic development activity is organised at County, City and District levels and a range of existing agencies are operating across different geographies and pursuing various strands of economic development related activity. In view of these complexities, the City and County Councils, along with the support of the district councils and emda, commissioned consultants to consider options for the establishment of an Economic Development Company (EDC) to lead economic development activity in the sub-region.
- 5.2 The feasibility study follows the principles promoted under the SNR which placed greater emphasis on the delivery role of principal local authorities alongside an increasingly strategic role for the RDAs. The principle of greater devolution of funding and delivery responsibility to the local authorities is supported by emda, on the basis that effective delivery management capacity and associated governance structures are put in place at sub-regional levels. This approach has implications across the economic development governance and delivery landscape in Leicester and Leicestershire and the study sought to identify appropriate arrangements in response to the opportunities for streamlining and enhancing economic development activity across the sub-region.
- 5.3 The Leicestershire Strategic Economic Partnership (LSEP) currently leads on the development of sub-regional economic strategy and is responsible for managing emda's investment programme. This activity will be transferred to a new sub-regional model with associated governance arrangements. Significant progress is being made across a range of fronts in the economic development arena, but there is widespread acknowledgement of the need to accelerate the delivery of economic growth in the City and County. The purpose of the proposed EDC is to streamline the approach to economic development delivery across the sub-region and to improve the overall efficiency of economic development delivery and co-ordination to more effectively realise Leicester and Leicestershire's competitive potential.
- 5.4 The engagement of the private sector in the emerging governance arrangements is a key component, which has been emphasised in previous Government guidance on the formation of Economic Development Companies (EDCs) and is recognised by the partners in Leicester and Leicestershire as an important consideration in any future model. Critically, any future model will need to present a clear 'value proposition' to the private sector to encourage effective engagement. Private sector representation will only be secured at the appropriate level if the governance arrangements provide a framework for real influence in the strategy and delivery decision making processes for economic development.

Delivery Arrangements

- 5.5 It is proposed that the EDC will form part of a wider delivery structure focusing on specific themes. Alongside the EDC, a range of other agencies will be responsible for delivering other aspects of the economic development and environment theme. The delivery of the range of functions underpinning the MAA are outlined below, some of which will form the basis of EDC activity, while others will be delivered through existing mechanisms. The strategic direction for these activities will be provided by the thematic Strategy and Performance Management Groups outlined in Section 6.

Urban development and infrastructure

- 5.6 This is proposed as a core function for the EDC, focusing on the delivery of key physical projects to support the regeneration and growth of the 'principal urban area' (PUA) comprising Leicester, areas of urban Leicestershire including the associated New Growth Points adjoining the City. The EDC will also contract out its services to support New Growth Point and physical economic investment delivery outside of the PUA, across the wider sub-region. This function essentially relates to the 'supply-side' of economic development, and subsumes the current role of Leicester Regeneration Company (LRC), extending physical regeneration and housing growth delivery arrangements to a new PUA spatial level.

Business support and Innovation

- 5.7 This is proposed as a core function for the EDC, operating across the City and County. This function relates to the promotion and co-ordination of effective business support across the sub-region rather than direct delivery which is currently delivered through regional RDA programmes. It essentially places the EDC in a key role in identifying business support needs for the sub-region, based on target growth sectors and emerging areas of vulnerability or opportunity either by sector or geography. Direct delivery of business support would remain with existing mechanisms. The precise nature of this role will need to be developed in association with emda to ensure full alignment of regional and sub-regional service provision.

Investor development and inward investment

- 5.8 This is proposed as a core function of the EDC, operating across the City and County. It relates to the delivery of services to promote and facilitate inward and indigenous business investment, through effective account management to steer investors through the process of delivering business development and growth projects. It forms an important interface with the urban development activities proposed for the EDC by integrating 'demand' and 'supply' related economic development activity.

Employment & Skills

- 5.9 Employment and skills related programmes will continue to be delivered by the existing organisations including Job Centre Plus, the Learning & Skills Council (and their successor bodies) the Leicester & Leicestershire Learning Partnership, including the City and County Councils as the local education authorities (LEAs) and leads for adult learning. The EDC will have an important interface with employment and skills programmes, particularly in terms of ensuring that they are complementary to its core activities.

Tourism and place-marketing

- 5.10 Tourism and place-marketing has hitherto been the responsibility of Leicestershire Promotions. This agency has also had responsibility for business investment promotion but it is widely recognised that this function can be most effective when fully integrated with ‘supply-related’ aspects of economic development – property / infrastructure delivery. At this stage it is not proposed that tourism related place-marketing functions should fall within the remit of the EDC. Further consideration will need to be given to the future of place-marketing activity to reflect the distinctive needs of the City and County.

Rural economic development

- 5.11 Rural economic development is an important part of the sub-regional economic development agenda and it is proposed that it should be co-ordinated through the Leicestershire Rural Partnership (LRP). The EDC will again play an ‘influencing role’ on this agenda to ensure its activities are complementary to rural economic development programmes. The LRP will work with partners to improve clarity at an early stage between the role of the EDC and the role of the LRP in relation to the delivery of economic development activities in rural areas. This will assist with a coherent and non-duplicative approach, and is particularly significant to the provision of business support. The LRP also has a significant role in terms of rural transport, affordable housing, employment land and premises, area-based regeneration and environmental matters.

Area-based Regeneration

- 5.12 Some functions relevant to economic development and regeneration will most appropriately remain within the remit of the local authorities and associated bodies, notably neighbourhood related regeneration, transport, housing and environmental matters. The EDC will have an ‘influencing role’ in relation to these matters in so far as they impact on its core activities.

Resources

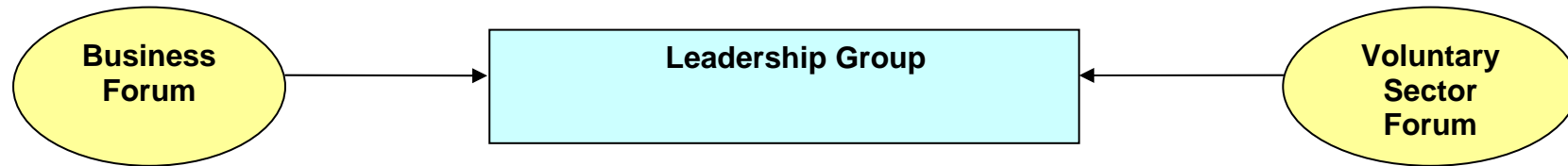
- 5.13 The level of resources committed by the various organisations to delivering the economic development and environment theme is substantial. This includes the operational and capital budgets of the key delivery partners, including the City, County and District Councils economic development and regeneration funding, the transport and education funding of the City and County Councils and the budgets of key delivery organisations such as Job Centre Plus, LSC and Connexions. Add to this the other sources of funding including emda's Regional Single Programme, New Growth Point, Homes and Communities Agency funding, ESF and ERDF, Working Neighbourhoods Funding in the City, Universities funding and possible funding raised through a Supplementary Business Rate (SBR), Community Infrastructure Levy and Regional Funding Allocations. Although this funding is governed through existing organisational structures, we must ensure that the funding is aligned in order to deliver the MAA priorities.
- 5.14 The current level of emda funding delegations through the Leicestershire Economic Partnership is limited. Under the principles of SNR, emda will be seeking a governance model which will enable it to increasingly devolve funding to the sub-regional level. The Leadership Group and the MAA provides the basis on which delivery plans for key strands of economic development activity can be co-ordinated effectively. Consequently, it may be possible to seek funding devolution from emda on the basis of an alignment of objectives, programmes and outcomes established in the MAA and the expenditure proposals set out in the related delivery plans. Emda will require a contractual arrangement with the appropriate accountable body through which devolved funding can be channelled. It will be critical for the Leadership Group to determine, with emda, the appropriate funding arrangements to achieve the level of devolution envisaged under the SNR.

6. GOVERNANCE AND ACCOUNTABILITY

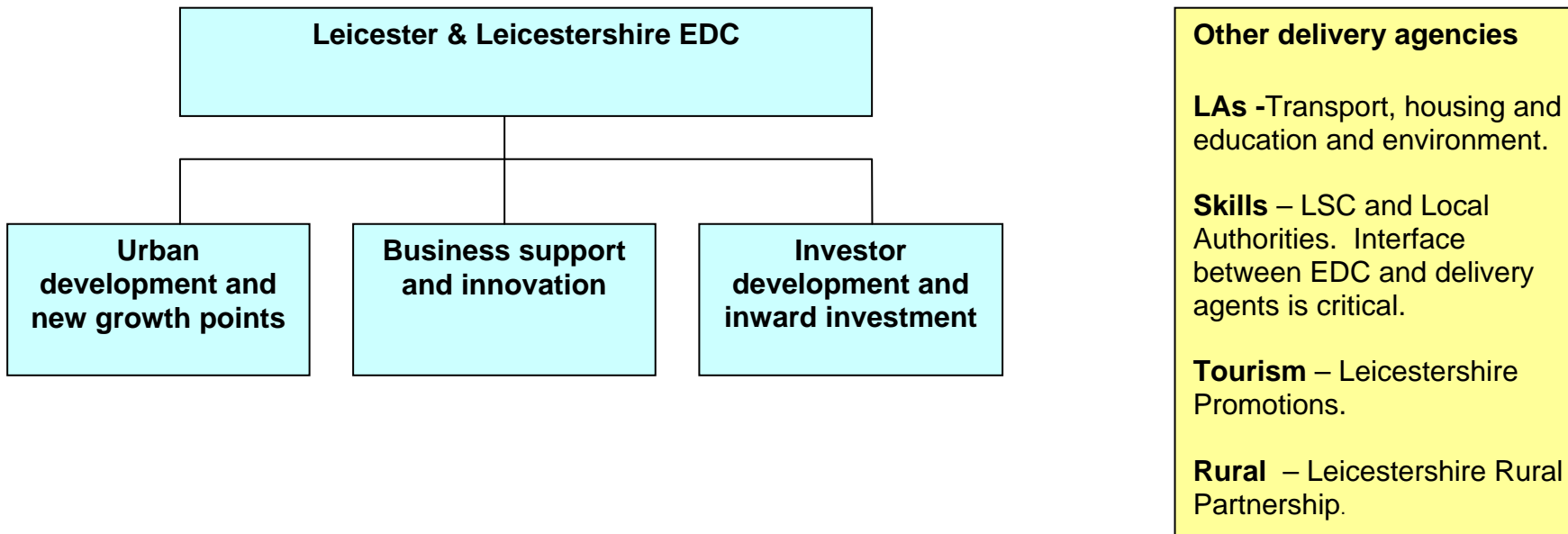
- 6.1 The proposed governance arrangements outlined within this section are in relation to the Fourth Theme of the LAA and the MAA, and also include the governance arrangements for the EDC proposition. The arrangements provide a structure within which the Economic Development and Environment themes of the respective Sustainable Community Strategies of Leicester and Leicestershire's Local Strategic Partnerships can be managed and delivered. The MAA is being developed to provide the framework for delivering part of the combined economic development and environment priorities articulated in the City and County Sustainable Community Strategies.
- 6.2 A range of delivery strategies are being developed alongside the MAA including the Local Development Frameworks (LDFs), the New Growth Point initiative and local transport planning, which will all contribute towards achieving sustainable economic growth. To this extent, the governance model reflects an intention for the economic development and environment agendas to be delivered on the basis of a combined Leicester and Leicestershire approach rather than through separate arrangements. Nevertheless, any model will need to recognise the need for clear arrangements to manage the respective roles, relationships and contributions of the County, City and District Councils going forward.
- 6.3 Critically, the governance model proposes a separation of 'strategy' and 'delivery' activity, with the EDC and other organisations effectively operating as a delivery agent for the Leicester and Leicestershire strategy which would be held, monitored and reviewed by a 'Leadership Group' for the sub-region. The strategy will cover the full range of fourth theme issues for the sub-region, including the MAA. The proposed governance structure is shown on the diagram on page 24.

PROPOSED GOVERNANCE ARRANGEMENTS

Strategy activity



Delivery activity



Leadership Group

- 6.4 It is proposed that the strategy for the sub-region will be held, monitored and reviewed by a Leadership Group. This will be the strategy holding body where priorities for economic development and regeneration, transport, housing and environmental priorities will be determined. It will delegate delivery roles to the EDC and other agencies within an integrated delivery plan. It will require those agencies, including the EDC, to prepare business plans for endorsement by the Leadership Group and will hold delivery agencies to account against those plans.
- 6.5 The form of strategy is currently the fourth theme chapters of the City and County SCSs which will be adjusted as required following the completion of a joint sub-regional economic assessment that will be prepared by the City and County Councils. The economic assessment will form a more specific 'economic masterplan' to translate emda's Single Regional Strategy into an investment strategy for Leicester and Leicestershire. The framework for the delivery of the investment strategy will be the MAA, which will give clear guidance to delivery agencies on roles and responsibilities and against which economic progress can be measured through appropriate KPIs and MAA targets.

The Leadership Group will be supported by three key elements:

Business Forum

- 6.6 A Business Forum will act as a 'sounding board' for the Leadership Group in terms of understanding the key issues and priorities for the business community. The Business Forum will have representation across the spectrum of sectors, scale and location of businesses in the sub-region. It will provide inputs to the strategy development process and its views will be sought at key points in the strategy monitoring and review process.
- 6.7 This forum will provide an effective basis for private sector engagement without needing to extend representation on the Leadership Group beyond two business representatives acting as the conduit to the Forum and appointed by its members. It is proposed that two of the Forum representatives are also appointed to the EDC board to promote continuity, communication and alignment.

Voluntary and Community (VC) Sector forum

- 6.8 A VC forum will act as a 'sounding board' for the Leadership Group in terms of understanding the key issues and priorities for the voluntary sector. It will provide inputs to the strategy development process and its views will be sought at key points in the strategy monitoring and review process. One representative elected by the forum will be invited onto the Leadership Board.

Strategy and Performance Management Groups

6.9 These Groups will provide strategic advice and support to the Leadership Group on the individual themes including the MAA targets

- Business & Enterprise
- Employment & Skills
- Housing & Planning
- Transport & Environment
- Efficiency
- Tourism
- Leicestershire Rural Partnership

The Groups will review the delivery plans of the relevant delivery agencies and advise the Leadership Board on aspects of the economic strategy which may require review in light of performance issues. These groups could comprise relevant senior officers and portfolio holders from the County, City and District Councils, partner agencies and business representatives, as appropriate. Some of the existing groups will be subsumed into this role.

Membership of the Leadership Group

6.10 There will need to be clear mechanisms for the Leadership Group to co-ordinate the roles and activities of the stakeholders responsible for delivery. It is anticipated that the Leadership Group will operate as a formal strategic board with governance arrangements set out in the agreed Collaboration Agreement. An informal arrangement is unlikely to achieve the level of accountability that will be required to develop the strategy and co-ordinate the delivery of the MAA and the wider fourth theme priorities.

- Local Authority membership will be the Leaders of the City and County Councils and a District Council.
- Two Business sector representatives appointed by the Business Forum. One from within the City and one from the County.
- One senior level representative from emda, Chief Executive or Corporate Director
- One Voluntary sector representative appointed by the VC Forum.
- One senior representative from the Homes & Communities Agency
- Other agencies may be offered observer status, including Government Office East Midlands, LSC, Job Centre Plus and Connexions.

Sub-Regional Co-ordination and Programme Management

- 6.11 The SNR defines a clear role for RDAs to provide the strategic direction for economic growth in their regions whilst local authorities are to be given a greater role and increased flexibility in promoting economic development to respond to the challenges of their local economies. In 2001, emda created the 7 Sub-Regional Strategic Partnerships (SSPs) to address the economic challenges in the sub-regions. The SSP for our sub-region is the Leicester Shire Economic Partnership (LSEP). We also have the added complexity of the Welland SSP covering our two most rural districts, Melton and Harborough. The SNR and the introduction of Local Area Agreements (LAAs) and Multi Area Agreements (MAAs) have provided an opportunity for emda to revise and streamline sub-regional delivery arrangements.
- 6.12 emda has discussed a more strategic and effective approach to delivering economic development activity at a sub-regional level with the 9 unitary and county authorities in the East Midlands. These discussions have led to the RDA's decision to transfer all activity currently managed by the SSPs to the respective unitary or county authority from 1st April 2009. The City and County Councils have proposed to establish a joint Sub-Regional Co-ordination and Programme Management Team to replace the SSP. This team would support and advise the Leadership Group, manage the fourth theme programme and the MAA, co-ordinate delivery including commissioning and have responsibility for performance management. This team would incorporate the current economic development programme management roles performed by the LSEP and Welland SSP and will be employed by the accountable body, either the City or County Council.

7. PERFORMANCE MANAGEMENT

Performance Indicators

7.1 The Leicester & Leicestershire MAA will include the following indicators. These indicators feature in both the City and County Council's LAAs and will provide the MAA with a clear focus on economic development.

- **NI 117 - 16-18 year olds that are NEET**
- **NI 152 - Working age people on out of work benefits**
- **NI 163 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher**
- **NI 165 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher**
- **NI 172 - Percentage of small businesses in the area showing employment growth**
- **NI 179 Value for money - total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year**
- **Local Indicator - Employment land and premises**

Sections 8 to 13 of this document are detailed Business Cases for each of the above indicators. The Business Cases outline the context and evidence, current and future delivery arrangements, added value and asks of Government.

7.2 In addition there are two indicators which will be under active review in the initial stage for inclusion in an extended MAA at some point in the future. These include:

- **NI 154 - Net additional homes provided**
- **NI 167 - Congestion - average journey time per mile during the morning peak**

A technical group has been established to begin work on the delivery plan for the MAA.

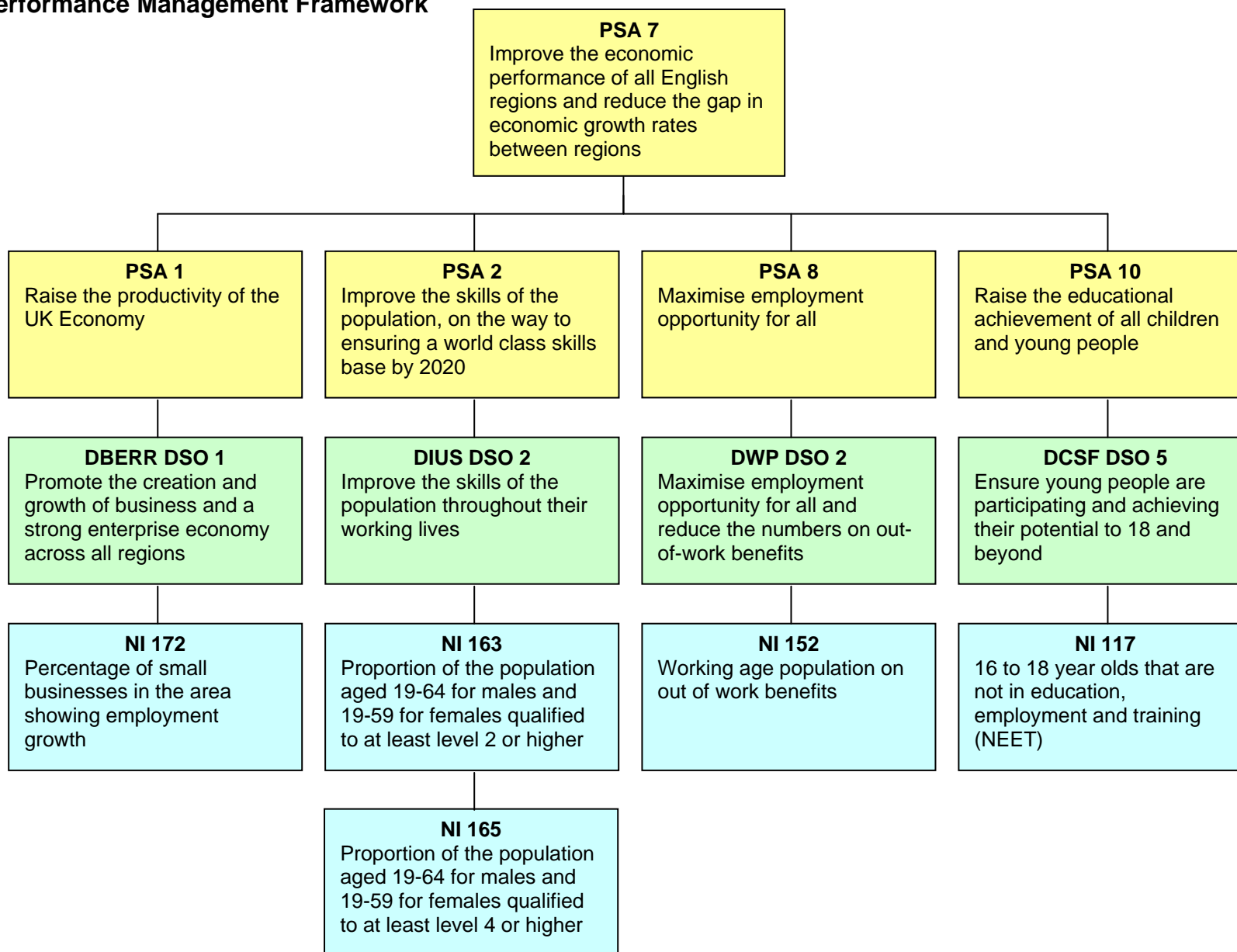
Performance Management Framework

7.3 The performance management framework for our MAA will capture the complex nature of partnership working across sectors and geographical and organisational boundaries. In addition, the measurement of

performance in delivering our MAA will ensure that we continue to undertake activity that is appropriate and relevant to the sub-region.

- 7.4 In an initial exploration of the relationship between the MAA and individual City and County LAA priorities, two main elements emerged:
- The importance of obtaining an understanding of the key objectives of the MAA, and how a broader spatial level framework could support and supplement the delivery of related objectives in each LAA.
 - The requirement to clarify the specific targets for measuring the implementation of priorities in the MAA, and how these relate to the targets identified in the 2 LAAs across the sub-region.
- 7.5 The Government has indicated that the relationship between LAAs and MAAs should be complementary rather than hierarchical, and that the objectives of the MAA should avoid becoming an aggregation of LAA outcomes. MAAs will be measured according to their ambition and the added value they bring to national, sub-national, sub-regional and local objectives. Our MAA is founded on supporting the delivery of long-term strategic economic change and transformation in the sub-region underpinned by closer joint working between partners.
- 7.6 The detailed economic evidence base prepared as part of the City and County LAAs identifies a series of key economic challenges which our MAA proposal is designed to address. Therefore, we already feel we have a robust evidence base from which to develop a series of indicators and targets as part of a performance monitoring framework. As well as the six headline indicators we will develop a performance framework which will track other sub-indicators which contribute to the overall performance. These will include performance indicators from the national indicator set and from the RDA's target framework.
- 7.7 The MAA will be measured according to six indicators taken from the National Indicator Set (NIS), which are themselves aligned to national Departmental Strategic Objectives (DSO) and to Public Service Agreements (PSA). The chart on page 30 illustrates the high level performance management framework we envisage for our MAA and outlines the contribution that our MAA will make to sub-regional, regional and national performance.

MAA Performance Management Framework



7.8 In preparing our MAA, we have tried to ensure that there is good alignment between the regional and sub-regional outcomes and strategic priorities. The successful delivery of our MAA will assist emda in achieving its PSA 7 target to 'Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions'. The delivery of the MAA targets will make a significant contribution to regional economic performance by increasing regional GVA per head growth rates and GDP per head levels. It will also improve regional employment rates and increase regional productivity by focusing on the key drivers; innovation, skills, enterprise and competition. The outcomes of our MAA are:

- Reduced worklessness and a higher employment rate
- Improved and higher skill levels
- Improved business performance including business start-up, survival and growth rates
- Provision of quality employment land and premises.

The six headline indicators in our MAA are linked to the core outputs in the RDA's target framework as shown below. We will use emda's core outputs as sub-indicators to measure our performance.

NI 152 Working age people on out of work benefits

- People assisted to get a job

NI 163 Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher

NI 165 Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher

- People assisted in their skills development
- Adults gaining basic skills under Skills for Life strategy
- Adults Achieving a level 2 qualification or higher
- Number of adults in work gaining vocational skills at level 3 or above
- Number of people in compulsory education or adults not in work gaining an additional 12 hours of learning at any level

NI 172 Percentage of small businesses in the area showing employment growth

- Jobs created or safeguarded
- New businesses created or attracted and surviving 12 months
- Businesses demonstrating growth post 12 months
- Businesses assisted to improve their performance
- Businesses engaged in new collaborations with the UK knowledge base

Local Indicator - Employment land and premises

- Brownfield land reclaimed and/or redeveloped (ha)

- 7.9 The successful delivery of our MAA top level indicator targets will have a direct impact on a number of other National Indicators. As part of our Comprehensive Area Assessment (CAA), we will be required to report on all 199 of the National Indicators and the MAA will play a key role in our performance for a number of these indicators:

NI 117 - 16-18 year old that are NEET

- NI 45: Young offenders' engagement in suitable education, training and employment
- NI 90: Take up of 14-19 learning diplomas
- NI 91: Participation of 17 year-olds in education or training
- NI 106: Young people from low income backgrounds progressing to higher education

NI 152 - Working age people on out of work benefits

- NI 144: Offenders under probation supervision in employment at the end of their order or licence
- NI 150: Adults in contact with secondary mental health services in employment
- NI 151: Overall Employment rate (working-age)
- NI 153: Working age people claiming out of work benefits in the worst performing neighbourhoods
- NI 173: Flows on to incapacity benefits from employment

NI 163 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher

- NI 13: Migrants' English language skills and knowledge
- NI 79: Achievement of a Level 2 qualification by the age of 19
- NI 80: Achievement of a Level 3 qualification by the age of 19
- NI 82: Inequality gap in the achievement of a Level 2 qualification by the age of 19
- NI 161: Learners achieving a Level 1 qualification in literacy
- NI 162: Learners achieving an Entry Level 3 qualification in numeracy

NI 165 - Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher

- NI 81: Inequality gap in the achievement of a Level 3 qualification by the age of 19
- NI 164: Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 3 or higher
- NI 166: Median earnings of employees in the area

NI 172 - Percentage of small businesses in the area showing employment growth

- NI 171: New business registration rate
- NI 174: Skills gaps in the current workforce reported by employers

**8. BUSINESS CASE: NI 117 16 to 18 year olds who are not in education, employment or training (NEET)
Context**

- 8.1 Despite a downward trend in NEET across Leicester and Leicestershire and the interim national PSA NEET targets being met, NEET in Leicester remains the highest in the region and above the national average. NEET levels amongst vulnerable groups continues to fall but remains high in both the city and county for those young people with LDD, teenage parents and care leavers. For young people known to the Youth Offending Service (YOS), EET is higher than the national and regional average but remains below the national target of 90%.
- 8.2 The sub-region has a relatively low skill and low pay economy (see evidence for NI163). Although the raising of the participation in learning age will do much to improve the skills levels of young people over the next 10 years, those who have left learning already and those who do so over the next few years without having reached their potential, are likely to struggle to become economically active without improving their skill levels. Tackling NEET amongst 16 to 18 year olds is therefore a key priority for improving the economic wellbeing of the sub-region and ensuring we create a competitive and skilled workforce for our current and future employers.

Evidence Base

- 8.3 In November 2007, 4.5% of 16-18 year olds were Not in Education, Employment or Training (NEET) in Leicestershire compared to 8.8% in Leicester City. This equates to 6% for the sub-region overall, slightly lower than England at 6.7% but higher than the East Midlands at 5.5%.

	% 16-18 NEET
Blaby	3.91%
Charnwood	4.84%
Harborough	2.76%
Hinckley and Bosworth	4.54%
Melton	4.07%
NW Leicestershire	3.48%
Oadby and Wigston	4.17%
Leicester City	8.8%
Leicestershire	4.5%
Sub-Region	6%
East Midlands	5.5%
England	6.7%

Source: Connexions Leicester Shire, November 2007

- The five wards with the highest proportion of NEET in the county were Loughborough Ashby, Loughborough Hastings, Loughborough Shelthorpe, Loughborough Storer and Greenhill.
- Loughborough Ashby had the highest % NEET at 14.2%. Overall in Charnwood, 4.8% of 16-18 yr olds were NEET compared to only 2.8% in Harborough.
- In the City, the five wards with the highest proportion of NEET were Castle, Braunstone and Rowley Fields, Eyres Monsell, New Parks and Abbey ranging from 14.8% NEET in Abbey to 16.9% NEET in Castle.
- Seven Lower Super Output Areas in the City had over 60% of 16-18 year olds that were NEET. The highest at 66.7%, is situated in North Braunstone, on the outskirts of the City.

Current Delivery

- 8.4 The two upper tier local authorities already have in place sub-regional delivery arrangements for the delivery of the NEET target and effectively pool resources by combining the Area Based Grant for Connexions through one sub-regional company; Connexions Leicester Shire. This company is owned and controlled by the City and County Councils. Co-operation is secured through the Board of the Connexions Company and through comprehensive inter-authority arrangements for 13-19 collaboration.
- 8.5 Resources are deployed through Connexions centres and through Personal Advisors based in schools across the city and county, enabling the delivery of the service that is responsive to local need but of an equal quality and standard wherever the young person accesses the service. Work is both preventative to help young people make appropriate choices and stay in learning and to engage those who have dropped out of learning to re-engage in education, employment or training.
- 8.6 Connexions works closely with a wide range of partners, principally the the City and County Councils and the LSC (the 13-19 inter-authority group), schools and colleges, JobCentrePlus, the Primary Care Trusts (PCT), Youth Offending Services (YOS), work based learning providers, the police and voluntary sector providers. Action on the NEET targets, including those for vulnerable groups is co-ordinated through an inter-authority NEET action forum and vulnerable groups sub group. Connexions is represented on the Children and Young People Service Boards (CYPSB), the YOS management boards, 13-19 strategy and delivery groups, the Employment Skills Board and the City Strategy Board.

- 8.7 Connexions is working closely with the Leicestershire Education Business Company (LEBC) to provide a single employer services team to increase the number of apprenticeships available to young people, co-ordinate work based learning opportunities, increase part-time and extended work placement opportunities and work with employers to match young people to job vacancies. Connexions also holds the local Nextstep contract which involves working closely with young people still out of learning at age 18 plus.
- 8.8 Connexions deliver a range of programmes in schools, colleges and community centres and provide outreach services in the most isolated areas of the sub-region. The organisation also works in collaboration with the LSC and local authorities to ensure there are sufficient learning opportunities for the 16-18 age group, including September guarantee. This involves a partnership approach across the sub-region to improve engagement, support and to provide sufficient learning opportunities for vulnerable young people. The joint planning approach between the different agencies will ensure best use of funding and ensuring the client receives the best possible support services. Connexions current ABG funding is £4.3m (City) and £4.2m in 2008/9 and in addition there is £2.5m European Social Fund (ESF).

Proposed Delivery through MAA

- 8.9 It is important to tackle NEET on a sub-regional basis because of the high mobility for travel to learn between the two local authority areas. Many young people move across the city/county boundary for education training or employment on a daily basis. Almost 2,000 students aged between 13 and 16 in a residence with a city postcode attend county secondary schools and almost 1,000 13 to 16 year old students with a county postcode attend city secondary schools. This trend is reversed, with over 2,000 young people resident in the county attending provision in the city and just over 1,000 city young people attending provision in the county. This sub-regional movement is likely to increase with the development of diplomas.
- 8.10 Support for individuals aimed at preventing drop out from learning and work and to re-engage young people if they have dropped out makes most sense if provided in a way that is responsive to local need but planned and monitored across the sub region. Working across the sub-region allows young people to access Connexions support wherever it is convenient. As an example, in excess of 200 young people from the county/city fringe accessed one to one support from Connexions services in the city in the last year.

- 8.11 There is an existing commitment to work collaboratively on 13-19 developments across the sub-region which justifies why we want to include the NEET target within the MAA. The arrangements for sub-regional governance and delivery of Connexions support has been a fore-runner for the sorts of arrangements now being explored through the MAA. As such there will not be a need for new delivery for new arrangements because the service provision will continue to be delivered through the existing sub-regional arrangements but within the MAA framework.
- 8.12 Connexions is the lead agency for two new ESF funded projects aimed at NEET prevention and re-engagement. The ABG allocation for Connexions is being passported in full for the duration of the MAA. Additional bids to Working Neighbourhoods Fund and “entry to learning” pilots are being considered. Connexions also remains committed to commissioning work with the voluntary sector to fill gaps in service provision across the sub-region.

Added Value and Impact on PSA targets

- 8.13 Stability of funding and sub-regional delivery arrangements will enable existing good partnership working to continue and grow, helping to support the improved performance necessary to meet the existing LAA and future MAA targets. The targets agreed for the City and County LAA take the NEET target below that which had previously been agreed to meet the 2010 PSA target. Service provision will be maintained and improved through the MAA and effective deployment of resources on a sub-regional basis will allow a continuity of consistency and quality of provision. Young people will receive the same standard of service wherever they access provision. Sub-regional delivery enables core costs to be shared, resulting in efficiency savings.
- 8.14 **Asks of government**

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

MAA Partnership should influence the commissioning of national and regional programmes relating to business support, employment and skills

Easements on the rules around work experience and allowing benefit claimants a “Benefit Run –on” for the first month of employment

9. BUSINESS CASE: NI 152 Working age people on out of work benefits.

Context

- 9.1 Although the UK has enjoyed a period of sustained economic growth, and maintained high levels of employment and low levels of unemployment in comparison to all of its major competitors, the benefits of economic growth have not flowed equally to all groups in society. Although some parts of the UK can be described as being in a state of full employment, including the East Midlands, many communities suffer from deep-seated inter-generational unemployment and poverty. Some groups continue to experience significant barriers to employment and skills development including women, those on incapacity benefits, lone parents, older people, offenders, people from BME communities and people experiencing multiple disadvantages.
- 9.2 There is a need to increase the employment rate in order to ensure there is an adequate supply of labour within the sub-region. We can achieve this by promoting job opportunities and assisting the unemployed and economically inactive with sustainable employment opportunities. The deprived areas in the sub-region, particularly in the city, are characterised by high levels of worklessness and low levels of skills of qualifications. We need to ensure that our activities are aimed at improving skills and access to employment and learning in these areas so that all people have the opportunity to develop their potential and make a positive contribution to the local economy. We also need to ensure that people have the skills to meet employers' demands. This will increase our overall productivity and generate more wealth for the local economy.

Evidence Base

- 9.3 In September 2007 employment rates in the County were 81.3% and 67.5% in the City. This was compared to a rate of 76.2% in the East Midlands and 74.4% in England. Leicester City's rate of claimants in November 2007 was 18.8% of the working population compared to Leicestershire with a rate of 8.4%. The highest rate of claimants in the County was in North West Leicestershire at 10.8% compared to Harborough which was the lowest at 6.5%. The rate in East Midlands as a whole is 12.9%.

	Total number of claimants	Rate
Blaby	4,340	7.6
Charnwood	8,940	8.5
Harborough	3,170	6.5
Hinckley and Bosworth	5,770	8.9
Melton	2,200	7.4
NW Leicestershire	5,950	10.8
Oadby and Wigston	3,000	8.8
Leicester City	35,360	18.8
Leicestershire	33,380	8.4
Sub-Region	68,740	
East Midlands	349,990	12.9
England	4,254,920	13.5

Source: ONS, November 2007

- 9.6 3.5% of the working age population in the City claim Income Support and Pension Credit compared to only 1.8% in the East Midlands. In the County, Incapacity Benefit is the most common type of benefit received at a rate of 1.3%. These rates are highest within Hinckley and Bosworth and Oadby and Wigston.
- 9.7 Within the City the wards with the highest numbers of claimants are Spinney Hills, New Parks, Braunstone and Rowley Fields and Beaumont Leys. These wards also have the highest numbers of incapacity benefit claimants, although Stoneygate also has a high number of people claiming jobseekers and Eyres Monsell has a high number of lone parent benefit claimants.

Current Delivery

- 9.8 Jobcentre Plus currently delivers mandatory programmes for JSA, Incapacity Benefit and supports lone parents and other customers through a range of contracted provision including:
- New Deal 18-24
 - New Deal 25+ and 50+
 - Pathways to Work for new claims to Incapacity Benefits and volunteers
 - Programme Centres for people unemployed for 6 months or more
 - Lone Parent Programmes and Pilot
 - JobMaets ESF Programme within Leicestershire
 - Partners of Ethnic Minorities (POEM)
 - Working with City Strategy DWP Programme
 - Flexible New Deals (October 2009)

- Local Employment Partnerships
- Working with LSC to provide Pre-recruitment training and Sector Skills Routeways , Skills for Jobs
- Work with colleges to support customers on sectors, ESOL, Retail, Construction and Hospitality.
- Work with Community Centres who provide soft skills, confidence building and other support.

9.9 Jobcentre Plus works closely with a wide range of partners and providers including

- In-Training Employability
- Working Links
- APEX
- Neighbourhood strategic delivery including Leicester City Strategy Leicester.
- LSC, Skills for Jobs and other provision
- Connexions with the 13-19 group
- The Nextstep contract is managed by Connexions enabling good join up of support for those in transition between services for young people and those for adults
- Colleges on LSC funded courses – SLAs to provide training and support for Lone Partners and Partners of the Unemployed
- Colleges on ESOL, Retail, Hospitality and Construction
- Local Authorities LAA programmes
- Learn to Earn Strategies
- City Voluntary Sector and Community groups and Providers that provide additional support to customers on soft skills, mentoring and other provision.

9.10 Jobcentre Plus works with a number of partners that provide additional support for customers to help them into work. This includes working with the private sector employers to encourage them to provide opportunities for our most disadvantaged communities and address barriers to work with customers that are furthest from the labour market.

Obstacles and barriers

- Partners in the sub-region are often driven by different conflicting targets.
- Too often, distinct organisational rules, administrative systems and cultures undermine joint working.
- There is a lack of understanding about the process by which partners have decided upon procurement options.
- At times, there is a preference to adopt local solutions to meet local needs, but this can sometimes duplicate provision.
- There is reluctance on the part of mainstream providers to engage with people who are economically inactive as the challenge of

reversing the fortunes of those out of work may impact negatively on provider success rates', which could lead to the removal of funding for that provision.

Proposed Delivery through MAA

- 9.11 The delivery of the worklessness target through the MAA will aim to overcome the obstacles and barriers identified above. The agencies involved in this important agenda are all significant players in planning, commissioning and delivering support to those individuals who are not in work. Recognising that planning and designing activity to address targets must be commensurate with the scale of the problem and resourced accordingly, the MAA has raised the awareness of all partners of the need to tackle worklessness and how joint working can produce higher outputs from the collective investment being made in the sub-region.
- 9.12 Delivery through the MAA framework will:
- Align planning objectives between regional, sub-regional and district levels in order to achieve the overall objective of reducing benefits dependency and increasing employment.
 - Ensure action on worklessness, skills, business and enterprise and physical regeneration and procurement is joined up
 - Identify the nature of the problem in each area and priority group, setting targets for proportion of benefits claimants helped into employment, including NEET young people
 - Reduce the difficulties in moving people affected by multiple disadvantage towards employment through collaborative working
 - Identify employment opportunities in local labour market in rural Leicestershire and Leicester
 - Improve the structure and success of existing partnerships to deliver DWP's PSA 8

Service Delivery

- 9.13 Engaging with those most distanced from the labour market, particularly those with multiple disadvantages is not quick, it is labour intensive and there is no one way of doing it. To achieve the changes needed the MAA will ensure activity:
- Draws on local knowledge to develop local responses and coordination to ensure better delivery on the ground.
 - Engages and builds the confidence of the client group.

- Provides contact and support for the target groups through outreach and ongoing support.
 - Links with supporting specialist agencies.
 - Develops a work first approach.
 - Works closely with employers.
- 9.14 Building on the work of the City Strategy Pathfinder, the MAA seeks to unlock additional flexibilities and freedoms to ensure that programmes are targeted to meet the needs of employers and individuals in the sub-region. The added value of tackling this issue through the MAA would be a more joined up approach amongst partners and creating a single delivery framework. This would complement the delivery of Jobcentre Plus mandatory programmes. This will also lead to economies of scale through improving communications between key partners and support providers.
- 9.15 The MAA also provides an opportunity for partners to align their expertise, identify gaps in provision and lead to more effective support for customers and tailored packages for customers who require additional support. There is high mobility of travel between the two local authority areas. Many customers move across the city and county for employment on a daily basis.
- 9.16 To support Jobcentre Plus mandatory programmes, the MAA Implementation and Investment plan will complement Jobcentre Plus services to support:
- An integrated Employment and Skills Strategy on the work of the Employment and Skills Board.
 - Work on improving skills to support the Jobcentre programme of Local Employment Partnerships.
 - Flexible New Deal to support LAA programmes
 - Working Neighbourhoods Fund to support and engage customers in deprived wards to access employment and skills through multi agency teams
 - Work should link closely with other policy areas: health, housing, children and families and strategies improving economic growth
 - Jobcentre Plus Local Employment Partnerships with employers
 - Support DWP City Strategy in Leicester
 - Build on the work of the Voluntary and Community Sector
 - Ensure that the development supports the recommendations of Welfare Reform in the Green Paper and Work Skills
 - Flexible New Deal will be delivered from October 2009
 - Other developments from the Green Paper and Work Skills

- 9.17 Existing and new resources will be utilised to deliver our targets. Jobcentre Plus has funding for mandatory interventions and in-house provision and approximately £13 million for contracted funding. Other sources of funding to deliver this target will include Working Neighbourhoods Fund (WNF) and new funding streams that may support the Welfare to Work Reform including ESF.
- 9.18 Working with Partners will help to support the LAA targets and PSA 11 target in relation to the Child Poverty agenda. This should improve service provision by providing enhanced services for the customer and support the customer journey. By not duplicating provision, savings and value for money should be achieved.

9.19 **Asks of Government**

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

MAA Partnership should influence the commissioning of national and regional programmes relating to business support, employment and skills

Easements on the rules around work experience and allowing benefit claimants a “Benefit Run –on” for the first month of employment

10. BUSINESS CASE: NI 163 Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least level 2 or higher

Context

- 10.1 There is a low skills base in Leicester and Leicestershire which is particularly marked in the City with a high proportion of residents having no qualifications. The most deprived Super Output Areas (SOA) in the City are also characterised by high levels of worklessness and low qualifications. The regeneration in Leicester is likely to create high quality jobs and career opportunities and people need to gain the appropriate level of qualifications to be in a position to benefit from these opportunities.
- 10.2 Sectors in the sub-region that are predicted to experience significant employment growth in the next ten years are business services, health, other public services, communications, retailing, hotels and catering and transport. The sectors that are projected to decline in terms of total employment include textiles, paper printing and publishing, some aspects of engineering and public administration. These forecasts clearly indicate the trend across priority sectors towards higher level qualifications, particularly at level 3 and level 4. They also clearly show the reduction in opportunities for unskilled employees.
- 10.3 One of the Governments key priorities is to increase the number of adults attaining level 2 and 3 qualifications, including apprenticeships. Effective delivery of skills plays a key role in increasing the productivity of businesses, the employability of individuals and the cohesion of society. Level 2 is the platform for employability and provides a foundation for higher level skills which improve employer competitiveness and productivity and help individuals maximise their potential.
- 10.4 Whilst colleges and providers have greatly increased full Level 2 achievements, more is required, particularly in creating employer and individual demand for qualifications. We need to increase still further Level 2 achievements to meet the targets for 2010/11. There is also a requirement to raise the achievement of first full level 2. Working across the sub-region will enable joint work with the following outcomes and aims:
- Work with providers to build on existing provision
 - Effectively commission additional provision to meet both learner and employer demand
 - Ensure providers have an offer that meets the needs of adults.
 - Engage with local voluntary and community sector to develop offer
 - Increase the number of adult apprenticeships

- Develop progression routes at all levels including foundation degrees.
- Secure the commitment to and engagement of employers with level 2 qualifications, using all partners and their supply chains and partnerships.
- Work with sector skills councils to develop final routeways that meet local employer need.
- Broker progression opportunities with Train 2 Gain for those entering the workplace from pre-employment

Evidence Base

- 10.5 In 2006, 70.4% of 19-59/64 year olds were qualified to at least level 2 in the County compared to 55.8% in the City. This equates to 65.8% for the sub-region, slightly lower than East-Midlands (66.7%) and nationally (68.1%)

	% qualified to level 2 or above
Blaby	64.8%
Charnwood	73.0%
Hinckley and Bosworth	65.7%
Melton	71.3%
North West Leicestershire	73.2%
Oadby and Wigston	66.0%
Harborough	77.5%
Leicester City	55.8%
Leicestershire	70.4%
Sub-Region	65.8%
East Midlands	66.7%
England	68.1%

Source: LSC, 2006

- 10.6 The skills level of the workforce in the sub-region is quite low, falling below national averages on workforce qualification indicators. This is particularly marked in the city with the number of working aged residents without a level 2 qualification being almost 13 percentage points higher than the regional figure for England. In the sub-region 34.2% do not hold a level 2 qualification compared with 31.9% of the population for England.

- 10.7 UK demographic trends indicate that between 2005 and 2020 there will be a large increase in the numbers of older workers who are understood to be less qualified than younger workers. The East Midlands has the fastest growing ageing population in the country and many older workers are held back by a lack of qualifications and skills, although the extent of their skills gaps and deficiencies in many sectors is not well understood. This is a particular challenge facing our sub-region.

Current Delivery

- 10.8 Delivery of level 2 qualifications is currently through Train to Gain (TtG), Further Education (FE), employer responsive NVQs and Work Based Learning (WBL) and apprenticeship activity.

Train to Gain is a Government service which offers independent advice on improving the skills of employees. The service helps employers of all sizes and in all sectors to boost their business by training their staff. Skills brokers help employers to find the right training and the right providers and construct a training package tailored to each business. Train to Gain is available to all learners aged 19 years or older. Train to Gain funding is available for Skills for Life and first full level 2 qualifications and Level 3 in particular circumstances.

FE Employer responsive NVQs include all NVQs at Levels 1 to 4 delivered on employer premises. The term 'delivered' includes learning, skills training and assessment.

Apprenticeships provide opportunities for learners to develop occupational, functional and technical skills in a work environment, complementing school and college-based provision. Apprenticeships are primarily delivered on employer premises, tend to have more emphasis on individual coaching and portfolio-building, and are of a flexible length to suit the needs of the individual apprentice. A full apprenticeship framework includes a L2 or L3 NVQ, a technical certificate and appropriate key skills. Apprenticeships are open to learners of any age, as long as they have left full-time education.

- 10.9 The above are delivered through a network of FE Colleges, Local Authority Adult Learning Services, and private training providers. These include organisations based in the City and County that deliver to learners throughout the sub-region, but also providers in other sub-regions and regions who are contributing to training Leicestershire residents.
- 10.10 There are several programmes which provide the forerunner to Level 2 learning or the preparatory work required to move learners to a point where they are able to undertake NVQ training. These include:

Foundation Learning Tier (FLT) – this is being developed because there is a significant amount of provision at entry and Level 1 that fails to lead to any progression and that tends to trap learners in a revolving door of engagement and recurring achievement. The FLT is also being developed in response to the concern that the 'gap' from entry level to Level 2 is often too large and too complex in terms of qualification structure, or simply too inaccessible to adults and young people alike. The main organising structures and progression routes within the FLT will be progression pathways.

These are frameworks for learning that are built up of qualifications drawn from entry level and Level 1 of the QCF. Progression pathways will incorporate the three curriculum areas: knowledge, skills and understanding; functional skills; and personal and social development learning, which is distinct from personal and community development learning. It will end with achievement at Level 1 and progression opportunities to Level 2 and beyond, or to other meaningful destinations for those learners unable to achieve at Level 2

FLT will gradually replace Entry to Employment (E2E) which is pre-employment provision comprised of individually designed programmes to meet the needs of learners before they begin employment or an apprenticeship. The programmes incorporate key elements including employability skills (problem solving, team working and effective thinking), vocational knowledge and development opportunities (such as interpersonal relations). E2E is specifically for young people up to the age of 25, who may progress to Level 2 through another funding route.

- 10.11 There are a number of key partnerships in the sub-region which are involved in providing strategic direction and the delivery of the employment and skills in the sub-region. These include:

Leicestershire and Leicester City Learning Partnership is a voluntary partnership comprising of the key agencies responsible for adult education. The Partnership adds real value to Leicestershire and Leicester City, by developing more coherent learning opportunities to meet the learning and skills needs of the local community including young people, adults and employers. Recognising that in a healthy community, social inclusion, democratic regeneration and economic prosperity are inextricably linked.

The Public Service Compact – the purpose of the compact is to facilitate a collaborative approach to sharing information, promoting the exchange of good practice and encouraging more people to join the public sector by promoting it as a preferred employment choice. The compact takes action around key issues related to workforce improvement and development in the public service in the sub-region.

The Leicestershire Employment and Skills Board aims to develop a closer match between skills provision within Leicestershire and the needs of the local economy, in particular to meet the needs of growing businesses and inward investors. The Board is responsible for developing and implementing an effective employer engagement strategy for the purposes of workforce planning. This strategy will identify key sectors and employers and develop an effective programme to assist with current and future employment and skills needs.

A Joint Investment Framework (JIF) exists between the Regional LSC and the strategic Health Authority. The JIF supports the needs of the NHS Strategic Health Authority Workforce Directors and LSC, facilitated by Skills for Health to increase and make better use of spending on skills development in the sector. The agreement also supports implementation of the Sector Skills Agreement for Health, which reflects service policy priorities and workforce plans and developments across England.

10.12 The LSC works closely with Jobcentre Plus on an integrated employment and skills agenda. This work centres around moving people on benefits into work and addressing issues designed to improve progression for individuals, often from the most deprived social backgrounds by linking them to local and regional economic growth opportunities. The LSC supports Local Employment Partnerships by providing the funding for pre-employment training. It is the intention that clients are able to progress into sustained employment and from there develop their skills through Train to Gain and/or apprenticeships. Other organisations are also involved in delivery. These partners deliver Information, Advice and Guidance (IAG) to young people, adults and organisations funded through ESF to deliver interventions for pathways to further learning which lead to progression into foundations degrees and higher education.

Projects and Programmes

10.13 The programmes mentioned above include:

The **Skills for Jobs (S4Js)** initiative aims to support workless individuals into sustainable employment through an integrated skills and employment model through pre-employment and routeway training. **Adult Safeguarded Learning** is “learning for personal fulfilment, civic participation and community development” which is achieved via three main programme elements:

- Personal and Community Development Learning (PCDL)
- Family Literacy, Language and Numeracy (FLLN)
- Wider Family Learning

Neighbourhood Learning in Deprived Communities (NLDC)

currently delivered through the Local Authorities, delivers Skills for Jobs activities. Additional activity is provided through European Social Funding (ESF) which supports two priority areas:

Priority 1 - Extending employment opportunities. Activities include:

- Skills for Jobs
- Pre 16 activity to raise awareness of the world of work, enterprise and entrepreneurship amongst young people including work placements
- Post 16 Youth Unemployment - activity to raise the employability and skills of young people aged up to 19.
- Post 16 activity to support NEET (Not in Education, Employment or Training) young people
- Offender Learning and Skills Service (OLASS) – a programme of work to raise the understanding of the business benefits to employers employing young offenders
- Community Grants – grants to small community groups to support the crucial work they do in engaging disadvantaged people and communities

Priority 2 - Developing a skilled and adaptable workforce. Activities to be delivered include:

- Foundation Learning Tier – activity which is additional to that already described
- Voluntary and Community Sector Apprenticeships – support to develop and deliver an apprenticeship programme for the sector.
- Union Learning Reps – support for Trade Union Activity to increase the demand for skills
- Train to Gain delivery – additional activity to that funded through core funding
- Train to Gain brokerage.

10.14 Considerable resources are allocated to address the current skills shortages nationally, regionally and locally,

- Train to Gain - £91 million has been allocated for the **region** in 08/09 - £64 million of this targeted at Level 2 qualifications. At this time it is impossible to split into sub-regional allocations because of the training of Leicestershire residents delivered by providers outside the sub-region and the training by Leicestershire providers to learners residing outside Leicestershire.
- Apprenticeships funding for Leicestershire for 08/09 is approximately £12m with approximately £3.5m allocated to E2E.

- FE NVQ funding for adults amounts to £6.5 million in Leicestershire of which £3.8 million is directed at Level 2 qualifications. The LSC is driving providers towards a 70:30 split of first and repeat NVQ2s.
- ESF funding across all priorities and across the region amounts to approximately £65million (over the life of the ESF programme)

Proposed Delivery through MAA

- 10.15 All of the programmes and mechanisms outlined above will continue to be delivered but within a co-ordinated MAA framework. Working across the sub-region allows all LSC funded delivery to be legitimately counted as contributing to the targets. Learners move across the city and county boundary to travel to learning that meets their needs. ILR data indicates that over 60% of all learners, across all activities, were resident in the County; this is not necessarily replicated in the location of their learning. The MAA will provide a single strategic delivery infrastructure that will offer opportunities for tackling sub-regional issues but with localised solutions. Delivery arrangements will include provision secured through open and competitive tendering and procurement arrangements.
- 10.16 Potential heightened partnership activity amongst MAA partners through Skills Pledge and Local Employment Partnerships will contribute to the targets. The MAA will facilitate a better deployment of resources and raise awareness amongst employers of the benefits of learning and engaging in discussions about their future skills needs. It will also provide a framework to link employment and skills activities. This will increase the numbers of disadvantaged residents from worklessness through routeway activity into sustained employment and continued workforce development. The single infrastructure model will provide better value for money. A demand led funding model will ensure increased delivery of qualifications and a greater opportunity to access additional funding.

Added Value and Impact on PSA targets

- 10.17 To meet the Leitch ambitions for adults in England, 95 per cent of adults will need to achieve basic skills levels in literacy and numeracy. Some 90 per cent of adults will need at least a Level 2, and an additional 1.3 million additional Level 3s will be required. Train to Gain is already reaching a high proportion of hard-to-reach employers. Recently granted flexibilities to provision allow a wider range of learners to access training. The new groups include volunteers, the self employed and more of those employed in the public sector. Government departments are still not eligible, but their NextSteps agencies, (e.g. Jobcentre Plus) are eligible. These new flexibilities open up a broader group, many of whom are qualified at below Level 2.

The joint working arrangements across the sub-region enable these potential clients to be more easily identified and engaged.

10.18 Streamlining will provide more resources and greater impact on a wider range of clients. This will enable the delivery of more first Level 2 qualifications and improve performance against the PSA targets. However at the refresh of the MAA, the method of calculation will need to be reviewed and possibly re-assessed. Efficiency savings will be made through sharing of core costs and through a single MAA infrastructure taking action to contribute to the delivery of all partners' targets.

10.19 **Asks of Government**

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

MAA Partnership should influence the commissioning of national and regional programmes relating to business support, employment and skills

11. BUSINESS CASE: NI 165 Proportion of the population aged 19-64 for males and 19-59 for females qualified to at least level 4 or higher.

Context

- 11.1 There are four key issues which need to be addressed in order to increase the number of people qualified to level 4 or higher in the sub-region. These are graduate retention, widening participation in higher education, workforce skills and creating high value employment opportunities.

Graduate Retention – The sub-region’s three universities and the colleges of further education associated with them provide a wide range of Foundation Degree (Levels 4-5), Degree (Levels 4-6) and Postgraduate (Level 7+) courses, many with a strong vocational focus; and the East Midlands is a net importer of students from other regions. However, many of those acquiring these higher-level qualifications leave the area following completion of their studies, and many of those attending courses outside the region fail to return to it following graduation. The relatively low proportion of Leicester and Leicestershire’s working-age population qualified to Level 4 and above is emphatically not a ‘supply-side’ problem but rather one of inadequate demand for higher-level skills from sub-regional businesses. This is recognised in the Regional Economic Strategy’s description of the East Midlands as having a ‘low wage, low skill equilibrium’.

Widening Participation - ‘Point of location’ (POLAR) data provided by the Higher Education Funding Council for England (HEFCE) clearly identify areas such as the west of Leicester, Coalville and isolated rural areas as having chronic low participation in degree-level study. Universities, colleges and other partner organisations have for several years worked closely with schools in Leicestershire through the AimHigher Partnership to raise aspiration and attainment in these ‘cold spots’ and all HE providers are funded to run outreach programmes for these hard-to-reach communities.

Workforce Skills - The ‘low-wage, low-skill equilibrium’ not only limits the demand for newly qualified graduates; it also characterises the skill levels of the existing labour market, particularly in sectors such as construction, engineering and retail. Perhaps 80% of the 2020 workforce have already left compulsory education, which in turn means that the most vital focus for raising skill levels may well be on work-based learning for those in full-time employment.

High Value Employment Opportunities - In order to ensure the sub-region retains and attracts people qualified to Level 4 and above, we will need to create the right employment opportunities. This will be achieved by retaining and attracting high value and knowledge based businesses through effective inward investment and business support programmes. We need to improve the profile and image of the sub-region to attract investors and provide an effective inward investment and aftercare service. We will also have to target the high growth and high value sectors which demand high skill levels.

- 11.2 As well as these key issues, two cross-cutting themes serve to add complexity to their resolution. Firstly, the large proportion of small businesses in the sub-region and secondly, the above-average proportion of mature workers in our workforce. Successfully addressing these issues is the only means by which the targets can be achieved, at least in the short term. It should also be noted that all those who can acquire Degrees by 2011 are already in the system. The need to focus on shorter, work-based qualifications cannot be over-emphasised.

Evidence Base

- 11.3 In 2006, 29.8% of 19-59/64 year olds were qualified to level 4 or higher in the County, compared to 21.5% in the City. Combined this equates to 27.2% for the sub-region which is higher than East Midlands (26.4%) but below the national average at 28.9%.

	% qualified to level 4 or above
Blaby	26.4%
Charnwood	30.6%
Hinckley and Bosworth	26.2%
Melton	30.3%
North West Leicestershire	28.0%
Oadby and Wigston	28.8%
Harborough	39.6%
Leicester	21.5%
Leicestershire	29.8%
Sub-Region	27.2%
East Midlands	26.4%
England	28.9%

Source: LSC, 2006

Current Delivery

- 11.4 Loughborough, Leicester and De Montfort Universities currently deliver substantial volumes of education and training at Level 4 and above within contract bands agreed with HEFCE, the East Midlands Strategic Health Authority (EMSHA) and other funding bodies. They also 'franchise' and 'validate' programmes for delivery through FE partners, particularly foundation degrees. These programmes attract students from within the sub-region but also recruit in national and international markets. Likewise, many students from Leicester and Leicestershire choose to study away from home.
- 11.5 NI 165 does not measure the supply of available courses but rather the number of successful completers who return to or remain within the sub-region. It is therefore misleading to refer to this as a universities indicator only, since it is the demand for people with higher-level skills as articulated by sub-regional employers that move the measure up or down.
- 11.6 All providers work with professional bodies, Sector Skills Councils and employers offering opportunities for work placement. Many professional and vocational courses are highly regulated and their curricula approved or even determined by funders, commissioners and/or statutory bodies. In addition, all universities and colleges work within the AimHigher Partnership to achieve widening participation targets; some are members of the Leicestershire and Leicester City Learning Partnership, though this focuses largely at the sub-HE Levels and on community-based, non-accredited and/or adult learning; and most are involved with Skills for Sustainable Communities and the Lifelong Learning Network for Leicestershire, Lincolnshire and Northamptonshire.
- 11.7 These are either recruitment-based initiatives, like the Leicestershire Progression Accord and school compact schemes; focused on knowledge transfer objectives; or else operating on a pan-regional basis like the East Midlands New Technology Initiative. The only sub-regional projects currently focused on the NI 165 measure are those aimed at widening participation in HE, run through AimHigher, or at improving progression between levels, coordinated by the Lifelong Learning Network.

- 11.8 The three sub-regional universities currently receive teaching grants and student-fee income that approach, if they do not exceed, £100 million per annum from HEFCE, the EMSHA, the Home Office and other funding sources. This funding, however, is closely tied to course delivery and does not provide discretionary spend to address wider, contextual issues. Special initiative funding is available for widening participation and knowledge transfer but is again tightly linked to deliverables. The Learning and Skills Council additionally funds so-called 'non-prescribed' HE, mainly through FE colleges, and has a small national allocation for extending Train to Gain to cover some Level 4 qualifications.
- 11.9 Current inward investment and business support activities are delivered on a reactive rather than proactive basis. There are also a number of different agencies involved in delivering support to potential investors and businesses that have ambitions to grow. In order to attract businesses within the high value growth sectors into the sub-region and help existing businesses to grow, we need ensure that we create an effective and proactive business support and inward investment service.

Obstacles and barriers

- 11.10 In order to improve the higher-level skills base of the sub-region there are a number of barriers we need to overcome. These include:
- Strengthening our understanding of the actual demand for higher level skills, where the problems exist with regard to recruitment, and why the problem exists in the first place.
 - A lack of clarity on which body funds what initiative or programme, and where the gaps in funding exist.
 - Limited appreciation that provision is a necessary but insufficient factor in addressing higher level skills, and that encouraging individuals and employers to invest in higher level skills takes time and resources.
 - The absence of catalysts that could stimulate greater demand for higher level skills.
 - Limited understanding amongst some employers over how best to contribute towards addressing this problem.
 - The failure to deliver a joined up approach in the sub-region to address higher level skills issues.
 - Inflexible funding systems, which mean that providers are unable to meet the specific demands of employers.
 - Unwillingness amongst some employers to release staff to gain higher level skills; viewing paid leave for training as a business cost rather than an investment.
 - A low skill and low wage economy with a low number of high value businesses that demand higher skills

Proposed Delivery through MAA

11.11 Delivery through our MAA will seek to reverse the higher level skills deficit in our sub-region, and create more innovative and productive economic activity by:

- Increasing the number of people gaining higher level qualifications.
- Retaining graduates from our three universities and FE colleges in work or further study.
- Attracting more people with higher level skills to live and work in the sub-region
- Raising the demand for higher level skills by creating high value employment opportunities

Therefore, the activities within our MAA will:

- Create an economic structure that stimulates increased demand for higher level skills by attracting and retaining high value knowledge based sectors
- Generate greater demand for higher level skills, because the prevailing economic structure in the sub-region is producing sub-optimal demand from employers and individuals.
- Put a stronger sense of place into higher level skills as it relates to the strategic economic priorities of our sub-region.
- Recognise that supply side solutions alone will not suffice and that employers need to drive this agenda.
- Create the catalysts that will drive demand for higher level skills upwards
- Improve the utilisation of people with higher level skills in the sub-region.
- Secure agreement from employers and regional agencies to implement a more coordinated and comprehensive approach to addressing higher level skills deficits in the sub-region.

11.12 Our MAA offers a mechanism to bring partners together at the sub-regional level to co-ordinate the delivery of higher level skills that are attuned to the economic priorities agreed within the MAA. The problems of low participation in HE and low skill levels in the workforce do not stop at administrative boundaries; neither do worklessness and the other socio-economic conditions that make it difficult to tackle what present themselves superficially as problems of educational aspiration and attainment. Working across the sub-region, and across conceptual silos, will improve the chances that some of the most intractable problems we face can indeed be addressed. Joined-up thinking leading to joined-up action is key to moving this and other indicators in a positive direction.

- 11.13 Again, 'delivery' is a difficult term: universities and colleges will continue to 'deliver' programmes of study that result in qualifications at Level 4 or above for those who complete them successfully. Likewise, these institutions will continue to 'deliver' outreach activities intended to promote widening participation in higher education. In addition, Leicester and De Montfort Universities will develop and 'deliver' new employer-led and 'co-funded' qualifications as a result of successful funding bids to HEFCE's Strategic Development Fund (SDF).
- 11.14 On the higher-level skills agenda, MAA partners can help raise awareness with employers of the new flexibilities that the universities will be able to offer and develop joint initiatives that will help transform latent into effective demand. On widening participation, MAA partners will seek to focus and coordinate activities in selected communities and align spending around a number of multi-agency pilot projects.
- 11.15 On graduate retention, the key focus of effort must be on new projects to increase levels of inward investment that lead to new 'graduate' jobs in the sub-region; to promote and demonstrate the competitive advantage businesses gain from developing workforce skills to higher levels; and to devise and implement public procurement policies that require the employment of specified numbers of workers possessing higher-level qualifications.
- 11.16 The sub-region currently lack the infrastructure and project management capacity to devise and manage through such initiatives, and to direct implementation activities across institutional, sectoral and agency boundaries. While some capacity might be seconded by partner agencies and funds earmarked from their existing budgets, it is hard to see how such complex coordination can be achieved without additional targeted resources being identified and deployed. Our primary aim through the MAA will be to develop a higher level skills framework.
- 11.17 Individually, emda, GOEM, LSC, HEFCE and local authorities provide funding that supports the development of higher levels skills in our the sub-region. Although these agencies fund provision, there is also a plethora of initiatives, pathfinders, pilots and development funds. This leads to a sense of confusion and limited understanding as to who funds what and where the gaps in support exist. Although some elements of higher level skills co-ordination and delivery are in place in the sub-region, we believe that success can be accelerated by the creation of a sub-regional higher level skills framework. A framework would strengthen understanding of high level skills demand within different parts of the region, including our sub-region. The framework should cover:
- The stimulators of demand for higher level skills.
 - Engagement mechanisms for individuals.
 - Engagement mechanisms for employers.

- Higher level skills provision
- Matching skilled individuals to employer need

11.18 Inward investment, investor development and business support are proposed as core functions of the EDC, operating across the City and County. The EDC will work closely with the key organisations involved in delivering our skills agenda to ensure the supply and demand for skills is complimentary and balanced. The EDC will ensure that the services to promote and facilitate inward and indigenous business are more effective than the current delivery structures. The EDC will be more proactive and will target high value and knowledge based sectors to raise the demand for high level skills in the sub-region.

11.19 Through the development of this element of the MAA it has become apparent that the contribution that each organisation can and wants to make to support this agenda varies considerably. We believe that our 'ask' of Government would strengthen the rationale for the development of a sub-regional higher level skills framework tailored to meet the demands of employers and individuals in Leicester and Leicestershire.

Added Value and Impact on PSA targets

11.20 Current performance levels are the unplanned and unmanaged product of decisions taken elsewhere and for other reasons; they are at the intersection of institutional funding, commissioning, commercial decision-making, and a score of other processes that give us what we've got. They will not be easy to improve, but coordinated action towards agreed targets through the MAA has the potential to achieve intended outcomes rather than unintended consequences. Simple actions and rhetorical calls to 'do better, more, different...' will not be enough. Cultures need to change; working together needs to become a habit.

11.21 Although universities have traditionally paid little attention to Public Sector Agreement (PSA) targets, being for this purpose private rather than public sector organisations, the new Department for Innovation, Universities and Skills clearly has ownership of PSA 2 ~ 'Improve the skills of the population, on the way to ensuring a world-class skills base by 2020' ~ and is seeking to engage a number of HEIs as delivery partners. Both Leicester and De Montfort Universities are in receipt of Strategic Development Funding from HEFCE for employer engagement pilots, aimed at developing distance and work-based learning packages respectively, which will directly contribute to PSA 2. All three universities contribute in other ways as well, primarily through the supply of highly qualified graduates and postgraduates into the labour market; knowledge transfer activities; and contract research.

11.22 Service provision will be viewed holistically, not institutionally or worse, departmentally. The PSA target is a broad one and requires wide ownership. If government holds agencies and institutions accountable to narrower and often more detailed delivery targets, it is these that will be prioritised. Collaborative working has an identifiable overhead cost and, as indicated above, resources will be needed to do things that are not currently being done. It would be better to say from the outset that improving performance against this measure will be cost neutral, and that the coordination of efforts and the alignment of spending will achieve better value for money.

11.23 **Asks of Government**

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

New flexibilities and measures for HEFCE and Train to Gain to support higher level skills development in the Sub-Region

12. BUSINESS CASE: NI 172 Percentage of small businesses in the area showing employment growth

Context

12.1 Increasing the number of small businesses in the area showing growth will have a positive impact on productivity, GVA, employment and household incomes. A dynamic, enterprising and prosperous business community is central to this aim. To continue to prosper and grow businesses need to innovate and have access to appropriate advice, premises and financial support. Our economy has already undergone significant change. It has successfully moved from a traditional manufacturing base to one where “high tech” manufacturing prospers and we have growing employment in knowledge intensive business services and creative industries. This is driving up the demand for skills and creating clusters of opportunity in key sectors. At the same time, we must develop local supply chains to keep wealth in our local economy and benefit local communities.

12.2 Leicestershire faces a number of challenges in relation to business activities. The profile of our economy has improved and is now comparable with the overall national economy. In particular, we have exhibited stronger growth in employment and businesses during the last few years and have seen significant recent growth in terms of knowledge based employment sectors. The dynamism of the ethnic minority business community makes a major contribution to the local economy and our businesses need to continue to build on their international connections particularly with the developing economies of India and China. Leicestershire's economy is steadily diversifying away from a dependency on long standing 'traditional' sectors into higher value added, higher wage economic activities. However, there are still a number of challenges facing the sub-region. Self-employment levels are below the national average and although business start-up rates are high, more importantly, the survival rates remain low. The sector structure is also still weaker than many areas of the country in terms of knowledge based employment and businesses are failing to innovate and are becoming less competitive.

Evidence Base

12.3 GVA in Leicestershire

	Sub-Region	East Midlands	United Kingdom
Total GVA 2004	£15,831m	£67,884m	£1,044,165m
GVA per head 2004	£17,579	£15,862	£17,451
Average annual growth in GDP per head (%) 1995-2004	5%	5%	£5.2%

Source: Local Gross Value Added, ONS. Note: Including Rutland

- GVA per head in Leicester City has been consistently above the regional and UK averages since 1996. GVA per head in Leicestershire County has fallen below the regional average since 1999.
- Estimated GVA in the sub-region in 2006 was £15.8 billion.
- GVA in the sub-region is forecast to grow by 31% between 2006 and 2016, slightly faster than the regional average of 30.2%.

12.4 In 2006, the rate of VAT registrations per 10,000 people of working age was 47.6 in the City and 52.9 in the County, equating to 51.2 for the sub-region. This is higher than the rate in East Midlands (47.4) and similar to National rates (51.9). The largest proportion (36%) of new businesses in the County were in real estate. In the City, and in Oadby and Wigston, the highest proportions, 31% and 27% respectively, were in wholesale, retail and repairs.

The rate of de-registrations in 2006 was 39.4 in the county and 37.3 in the City, higher than East Midlands at 35.3 per 10,000 people of working age.

	VAT registration rates (per 10,000)	VAT de-registration rates (per 10,000)
Blaby	48.4	31.4
Charnwood	41.3	35.3
Harborough	76.7	60.9
Hinckley and Bosworth	52.5	36.6
Melton	52.3	42.5
North West Leicestershire	63.8	40.3
Oadby and Wigston	45.5	30.8
Leicester City	47.6	37.3
Leicestershire	52.9	39.4
Sub-Region	51.2	38.7
East Midlands	47.4	35.3
England	51.9	40.6

Source: ONS, 2006

The actual number of VAT registrations decreased between 2004 and 2006 nationally and regionally. However, numbers in both Leicester City and County increased over this period. The district with the highest increase was North West Leicestershire with a 10% increase between 2004 and 2006.

12.5 In 2006, 85% of businesses in the County and 80% in the City employed less than 10 people. 32 % of these small businesses in the County were in the banking and finance sector whereas in the City the largest proportion were in distribution, hotels and restaurants (36%)

Industry		Agriculture and fishing	Energy and water	Manufacturing	Construction	Distribution, hotels and restaurants	Transport and communications	Banking, finance and insurance, etc	Public administration, education & health	Other services	Total
1-10 employees	county	50	50	1,950	2,750	5,850	1,300	7,050	1,050	1,700	21,800
	city	0	0	1,100	500	3,050	300	2,400	600	550	8,550
11-49 employees	county	0	0	450	150	900	150	400	600	150	2,800
	city	0	0	250	50	500	50	250	350	100	1,600
50-199 employees	county	2	0	150	50	150	50	100	250	0	750
	city	0	0	50	0	50	0	100	100	0	400
200 or more employees	county	0	0	50	0	50	0	0	50	0	200
	city	0	0	0	0	0	0	50	50	0	100

Source: Annual Business Inquiry, 2006 - *to the nearest 50

Current Delivery

Business Support Simplification

12.6 The Business Support Simplification Programmes (BSSP) aims to streamline the support services system by reducing the number of schemes from 3,000 to fewer than 100, alongside making Business link the main channel by which businesses can access government support. The following diagram outlines the current products and methods of delivery.

IDB Access Channel – Business Link					
Starting Up	Access to Finance	Management, Recruitment, People Development	Operations and Efficiency	Product Development	Sales and Marketing Development
BL Start Up Offer	Investment Escalator	Recruitment & Redeployment (to be determined) Workforce Development	Business Transformation	Innovation	International Markets Procurement & Supply Chains
Mentoring					
Location					
Compliance					
High Growth Support					

12.7 Start-Up Service

The Business Link Start-Up service is a Business Link branded service, delivered by four main contractors across the region, with Skills for Enterprise being the main contractor for Leicester and Leicestershire. The service is aimed at two levels of client; pre-start and new Start, and offers different support dependent on the entry level of the client.

Pre-Starts

The pre-start stage offers the following:

- **Information Provision** – includes provision of the regional start up guide, appropriate Business Information Factsheets (BIFs) and Business opportunity Briefings (BOPs), and module 1 of the regional training programmes 'Deciding to start'.
- **Training** – specific training modules are offered to clients identifying specific areas of development (i.e. the need to develop a business plan to raise finance, the need to develop the ability to manage cash flow and acquire accounting principles or learn the basics of marketing).
- **1 to 1 Advice** – direct referral to an advisor is made where a client has prior experience of running a business or extensive business experience, a defined business idea with a possible trading start date, has undertaken some market research, may already be working on a business plan, or may have already gathered some information or attended a training course.

New Starts

For clients who have already started trading, the following support is available:

- **Training** - this is offered where the client has identified specific issues within the business or skills gaps such as managing finance, generating sales etc.
- **1 to 1 advice and mentoring from a start up contractor** – this includes the provision of mentoring or advice to create a robust business from one that currently has insubstantial foundations.
- **1 to 1 advice from a BSA** – if the business is at a stage where it is reasonably robust and is ready to grow, they will be referred to EMB as the provider of the core Business Link service.

12.8 Gateway to Business Support

E-Business Programme – provides a programme of advice and information to SMEs to encourage their development along the e-adoption ladder through the use of ICT and includes the provision of workshops, conferences, web academy course and grant funding.

Resource Efficiency – provision of advice on managing raw materials, energy and water to minimise waste reduce cost and increase competitive advantage of SMEs. Diagnostic and grant available up to £10,000 to invest in resource efficiency related equipment.

Social Enterprise – working with Social Enterprise East Midlands (SEEM) support is available from specialist, quality-assured business support advisers.

Public Procurement – Series of workshops undertaken on the range of mechanisms procurement organisations use, where they can be found and the advantages and challenges of trading with the public sector.

12.9 **Sharing Expertise**

Mentoring (Mentoring for all) – provides to owners of SMEs to improve performance by developing their own skills and competencies.

12.10 **Growing your Business**

Route to Market – aims to help businesses understand their strengths and generate new ideas for potential markets or products. It also helps businesses better understand how to implement those new ideas.

High Growth – identifies growing and growth-potential businesses and provides an intensive bespoke and comprehensive support package including high quality networking; business experts; business systems.

12.11 **Maintaining Competitiveness**

Manufacturing Advisory Service (MAS) - for manufacturing businesses who want to obtain experienced manufacturing consultants to review issues that could make a difference to the bottom line.

Business Transformation Grants (BTG) – business link adviser develops a bespoke action plan with the business and then funds from the BTG could be used to support the costs of private sector expertise and / or new technology to make the plan happen.

12.12 **Technology**

Higher Level Skills Development in Advanced Technology – aimed at companies seeking to excel in areas such as food and drink, performance engineering, creative and construction sectors. Grant programme offering up to £10,000 for investment purposes (i.e. purchase equipment for innovation, growth and improving workforce skills). The organisation will need to contribute at least half towards this cost.

Proposed Delivery through MAA

12.13 Business Support and Innovation will be a core function for the EDC, operating across the City and County. This function relates to the promotion and co-ordination of effective business support across the sub-region rather than the direct delivery outlined above which is currently delivered through regional RDA programmes. It essentially places the EDC in a key role in identifying business support needs for the sub-region, based on target growth sectors and emerging areas of vulnerability or opportunity either by sector or geography. The direct business support services outlined above will remain with existing mechanisms, but will need to be within the MAA framework which outlines the key priorities for investment. The MAA implementation and Investment Plan will be developed in association with emda to ensure full alignment of regional and sub-regional service provision.

12.14 Asks of Government

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

MAA Partnership should influence the commissioning of national and regional programmes relating to business support, employment and skills

13. BUSINESS CASE: Local Indicator – Employment Land & Premises

Context

- 13.1 A balanced portfolio of employment land is required in order for the sub-region's economy to flourish in the future. A significant proportion of existing, allocated and permitted employment land is of poor quality and/or poorly located. The key issues are not just about the quantity of provision, but also the quality and suitability of provision to meet current and future business needs and about the effectiveness of delivery mechanisms to implement priority development projects. In addition, significant areas of existing employment land are being lost each year, particularly to housing use. This pressure is likely to increase in the future in light of the sub-region being designated as part of the Three Cities New Growth Point.
- 13.2 A Housing Market Area (HMA) Employment Land and Premises study has recently been completed for the sub-region. The study sets out the need for:
- Joint employment land planning and delivery up to 2026
 - Employment land policies and allocations through Local Planning Authorities' Core Strategies
 - Investment priorities and targets for Local Area Agreements and the Multi Area Agreement.

The study included forecasts of employment change for the City and each of the districts within the HMA. These were based on forecasts produced by Experian up to 2016 and extended to 2026. The study used this information to translate the change in employment into an estimate of demand for land. The study also includes

- A review of existing supply of employment land and premises through criteria-based assessments;
 - A review and critique of supply and demand forecasts for employment land and premises;
 - A production of alternative demand scenarios;
 - An estimation of the gap between supply and demand;
 - A review of potential employment land allocations; and
 - Advice on delivery of employment land.
- 13.3 This study identified that businesses across the sub-region are experiencing difficulties in finding affordable sites for relocation and expansion. The sub-region's continued economic growth could be at risk due to a lack of immediately available land and modern premises to accommodate the demand by new and expanding local firms. There are a number of factors that have contributed to the situation facing the sub-region today. The evidence suggests that there has been substantial market failure in the provision of employment sites and premises over many years, due in part to a lack of readily available

employment land in accessible locations and a reluctance and/or unwillingness of the private sector to provide the necessary investment.

- 13.4 The study highlights the possibility that a proportion of Leicester City's future employment land needs may not be capable of being met within the City's administrative boundary due to the physical shortage of land. This indicates the need for close co-operation between the City and the adjacent local authorities. Local authorities have expressed a willingness to collaborate in identifying a strategic approach to realising the economic potential of the sub-region, to consider allocating additional employment land where it is needed and in particular to allocate a number of strategic employment sites across the sub-region linked to the proposed housing growth.
- 13.5 In addition, the sub-region's economy is undergoing significant structural changes, which is changing the nature of demand for employment land (location, size, use, etc.) away from industrial space to offices. This means that as the balance of economic activity shifts, an increasing proportion of existing industrial land that becomes vacant is unlikely to be required for employment use in the future. At the same time, new land will need to be allocated on sites in the right location and of sufficient quality to respond to these structural changes.
- 13.6 There are three key reasons why these employment land issues need to be addressed for the sub-region:
- A need to identify an adequate supply of sites of the right quality and in the right places to meet employment forecasts and safeguard and protect these sites from competition from other uses, particularly housing.
 - To reduce the carbon emissions arising from development – through new construction standards and renewable energy generation and transport through aligning homes with jobs and services and making the fullest possible use of sustainable modes of transport.
 - To create a prosperous, enterprising and dynamic economy, characterised by innovative businesses and creative people with a new pattern of growth in the City and the County's urban centres creating sustainable communities in an attractive environment.
- 13.7 In terms of bringing forward employment land, there is an active role for the public sector to intervene in circumstances where the private sector could not or will not invest. However, the public sector partners in our sub-region face a number of difficulties in carrying out this role, including a lack of skills and experience in land acquisition and assembly, making Compulsory Purchase Orders (CPO), as well as technical development and project management skills in delivering

complex developments. These very issues have led to our proposal for an Economic Development Company (EDC) as a delivery vehicle for physical growth within the framework of the MAA.

Current Delivery

- 13.8 The County Council and City Councils are both property developers and estate managers. They also act as S4(4) authorities and need to be able to implement the Regional Spatial Strategy (RSS) and current RES and the future Single Regional Strategy. This includes the provision of an appropriate level of employment land across the City and County, to monitor it and survey the area in order to advise regional agencies and the local planning authorities in their respective roles in determining the conformity of the LDFs within the City and County.
- 13.9 The District Planning Authorities assess the need for employment land through the preparation of their Local Development Framework which fits into the context of sustainable development and the objectives and policies of the RSS. emda and English Partnerships are key public sector funders of public workspace and employment land projects. The district councils and the Leicester Regeneration Company (LRC) are involved in developing and managing a number of employment land and workspace projects.
- 13.10 In terms of bringing forward additional employment land and premises, the current delivery arrangements are essentially incremental with development projects being undertaken by individual delivery partners with a range of funding partners. There is currently no co-ordination across the sub-region in terms of delivery on employment land and premises. Our MAA and the EDC proposal will provide this framework and delivery mechanism.

Proposed Delivery through the MAA

- 13.11 The Leicester and Leicestershire Housing Market Area (HMA) Employment Land Study identifies that to achieve a balanced supply of employment land will require cross-border co-operation between local authorities, developers, investors and local businesses within the sub-region and with neighbouring authorities in adjacent regions. The preparation of the Leicester and Leicestershire Infrastructure Plan as part of the New Growth Point Programme will also assist in the delivery of employment land provision and ensure that it is complementary to the proposed housing growth.
- 13.12 Local authority partners in consultation with emda and GOEM, have agreed to work together to develop a robust evidence base on which to provide employment land allocation figures and guide future investment decisions within the Leicester and Leicestershire HMA. There will need to be collaboration over the planning and delivery of employment land

and property across the sub-region and the MAA will enable the local planning authorities to plan, monitor and manage together the future supply and delivery of employment land within the sub-region through a common approach to the development of their Core Strategies.

13.13 To facilitate the effective delivery of employment land in the future, the study identifies the need for a shared commitment to achieve zero carbon employment development by 2019 and the need for new institutional arrangements and governance mechanisms to be created in order to:

- Create long term certainty for public sector leaders and investors;
- Develop innovative funding schemes to create and share value between the public and private sectors; and
- Provide governance mechanisms to ensure collaboration in planning, design, funding and delivery.

13.14 The study highlights the need for strong leadership and governance with a shared vision and objectives to provide the sub-region with competitive advantage. It also stresses that a strategic and joined-up approach across the HMA in terms of policy, planning, strategy and delivery will be important. The governance arrangements for our MAA and the proposed Economic Development Company (EDC) will create a new strategic framework and delivery body for the sub-region to address failures in the employment land market.

The EDC will provide the expertise and capacities to:

- Prepare master plans and design standards for zero carbon development
- Devise and manage the funding mechanisms for infrastructure investment, for example in acquiring, servicing and disposing of employment land
- Co-ordinate investment for on and off site renewable energy generation and distribution, water cycle strategies, waste mitigation and recycling and sustainable modes of transport (rail, quality bus routes, cycle and foot).

13.15 **Employment Land Planning**

The HMA Employment Land Study recommends a number of key actions for the local planning authorities and the MAA will allow partners:

- To develop a common set of policies to safeguard existing and allocated employment land for businesses and jobs against pressures for change of use for higher value uses notably housing.

- To release wholly or partly undeveloped employment areas which are identified as unlikely to be brought forward by the market, contribute to sustainable development and have no overriding strategic policy reason to be retained.
- To establish a new sequential approach to employment land.
- To develop a joint approach to the preparation of investment frameworks setting out infrastructure requirements, delivery mechanisms and responsibilities and timescales for phasing and coordinating implementation.

13.16 **Employment Land Delivery**

It is estimated that the firms in Leicester City's intervention areas will have requirements for over 26 ha of employment land up to 2026. The priority in Leicester will be to create opportunities for firms to relocate from the intervention areas and other employment areas in and around Leicester. The EDC will play a critical role in ensuring the regeneration of the intervention areas and the relocation of existing businesses.

13.17 Employment land allocations need to go alongside the proposed locations for large scale housing growth in order to locate jobs alongside new homes. These allocations will need to support the delivery of zero carbon employment development by 2019. The market has no incentive to invest in the complex, long term process and the advance infrastructure needed to deliver such development by this date. The MAA Implementation and Investment Plan will aim to ensure that the EDC addresses market and public policy failures to plan for zero carbon development by 2019, and enable the employment land market in the sub region to operate effectively by:

- Commissioning a programme of studies to establish the technical requirements, investment cases, funding sources and priorities for delivering zero carbon employment development encompassing on and off site renewable generation, waste mitigation and recycling (including waste to energy and distribution), water cycle strategies, low and zero carbon design and construction standards
- Exploring Low and Zero Carbon Transport Innovation Fund measures including for example the provision of sustainable modes of transport, most notably quality bus routes and the reopening of redundant rail links.
- Linking employment land planning and delivery with other wider delivery requirements, such as housing and transport.

13.18 The study identifies that the sub-region has the potential to establish one of the most attractive sites in the East Midlands for a high

technology based inward investor. The MAA will provide the framework for the extension of the Loughborough Science Park and the Leicester Science Park. The EDC will have the capability to put in place advance infrastructure at these locations to enable the science park development to take place.

13.19 Small firms have an important role to play in the local economy. Evidence suggests market failure to meet the needs of these firms' accommodation requirements. The following action, lead by the EDC and within the MAA framework, will address market failure in the provision of incubators for start ups, move-on firms, micro businesses, workshops and serviced offices:

- Commission a study to identify market gaps in the provision of space for start-ups, move-on companies, 'bad neighbour' uses and waste recycling facilities, and the interventions needed to lever private sector investment, priorities for investment and potential sources of funding.
- A programme for local authorities to use their land-holdings and development arms to deliver niche employment facilities to address evidenced market failings with *emda*, HACA and the private sector.

13.20 **Asks of Government**

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

Approval and strategic appraisal of projects within an *emda* approved programme to rest with the Leadership Group.

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

14. THE AGREEMENT

Asks of Government

- 14.1 It is essential that all tiers of Government and partner agencies are fully committed to the MAA in order for it to add value to existing delivery arrangements. We want our MAA to build a strong relationship between local, regional and central Government and other agencies. This new relationship should be based on shared objectives and flexibility. In order for our MAA to deliver our shared priorities, there are a number of 'asks' we would make of Central Government and national and regional agencies.

ASK 1

The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and co-operate

ASK2

Approval and strategic appraisal of projects within an emda approved programme to rest with the Leadership Group.

ASK 3

Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

ASK 4

MAA Partnership should influence the commissioning of national and regional contracts relating to business support, employment and skills

ASK 5

New flexibilities and measures for HEFCE and Train to Gain to support higher level skills development in the Sub-Region

ASK 6

Easements on the rules around work experience and allowing benefit claimants a "Benefit Run –on" for the first month of employment

ASK 1- The MAA and its Implementation Plan should be the guiding document for sub-regional economic development and place a duty on national and regional agencies to participate and cooperate

- 14.2. The MAA outlines our economic priorities for the Leicester and Leicestershire sub-region and has clear links to the current Regional Economic Strategy (RES) and Regional Spatial Strategy (RSS) and will be aligned to the new Single Regional Strategy (SRS) once this has been prepared by the RDA. The MAA Implementation and Investment Plan will be closely aligned to emda's Corporate Plan and will replace the exiting Sub-Regional Investment Plan (SRIP) which is prepared and managed by the Leicester Shire Economic Partnership (LSEP).
- 14.3 We would therefore expect the MAA and its Implementation Plan to be the guiding document for economic development activity and for it to form the strategic framework within which the MAA Partnership will deliver its economic development activities. The 'ask' of Government Departments and their agencies involved in the development and delivery of our MAA is to ensure that their respective strategies and delivery plans make reference to the MAA and align priorities, outcomes and targets accordingly.
- 14.4 The City and County Councils have included the proposed MAA indicators within their LAA, either as part of their up to 35 indicators or as local indicators. Therefore the duty to cooperate on the two LAAs should also apply to the MAA. The 'ask' is requesting for a duty to be placed on other agencies to commit to the freedoms and flexibilities that Government agrees for the LAA to apply to the MAA. The ask is in part dependent on the outcomes of SNR implementation discussions, but it is also reliant on the commitment from a range of Whitehall Departments, and their agencies, so will need to form part of the MAA to enable CLG to negotiate these commitments. 'Buy in' across all Government Departments is critical to the successful delivery of our MAA.
- 14.5 As with Local Area Agreements (LAAs), this 'ask' is not related to a duty to take part in the process, as MAAs are voluntary, but rather a duty to be part of, and a commitment to the agreed outcomes and targets. The current policy on LAAs places a duty on certain partner agencies and organisations to co-operate with the preparation of an LAA. Similarly, more recent guidance on the framework for LAAs has identified a number of different funding streams that are to be included within the LAA. However, MAAs are voluntary and there is no similar position within current policy. We believe that this is not appropriate and we need our 'ask' to ensure that all key local delivery partners and appropriate funding streams are bound into the MAA process. We do however accept that the MAA involves larger agencies and different funding regimes, many of which have a national, rather than local,

perspective, but the 'ask' relates to aligning priorities and resources rather than 'pooling'.

- 14.6 The issue of national agencies being given a duty to participate within the MAA process has been raised throughout the development of the MAA. However, no formal approach has been made to any of the national agencies likely to be involved in the MAA. We would expect CLG to formally approach Government Departments and their agencies to consider this 'ask'. Many of the national agencies likely to be involved in our MAA are already playing a key role within the delivery of the City and County LAAs which quantifies the benefits and added value of our 'ask'.

ASK2 - Approval and strategic appraisal of projects within an emda approved programme to rest with the Leadership Group.

- 14.7 The purpose of this 'ask' is to increase the ability of the Leadership Group to influence change through enhanced delegation to the sub-region, in line with the SNR. The current delegation framework does not allow an appropriate level of delegated authority to the sub-region. At the moment all projects have to be approved by emda and any projects exceeding £1m have to be approved by the emda Board. The issue of delegation is a key one to emerge from the SNR and is currently being considered by CLG and BERR. Whilst the SNR implementation consultation document sets out Government's intention on delegation from Central Government to the regions and from the regions to sub-regions, there is unlikely to be a clear indication about the level of delegation until the implementation of SNR.
- 14.8 Although emda would be involved in the appraisal process there is an issue of the accountability of the funder, in this case the RDA. The point of issue is who makes the investment decision. In the meantime, work is being progressed with emda on improving systems to achieve better joint appraisal of projects within an overall investment programme and developing an effective investment planning approach within our proposed governance arrangements and structures of accountability. Work needs to progress on further developing the joint appraisal process to improve the business process system, allowing high quality projects and programmes to progress through the system more efficiently in a way that can allow greater responsiveness to potential private sector investment.
- 14.9 A common appraisal system, based on HMT Green Book is required and this 'ask' is that all funding partners agree to use a common appraisal system, whilst recognising that there will be individual Departmental requirements on benefits and outcomes that will still be required and will need to be reflected in the process. Following agreement to a new system with emda, we would wish to pursue this through CLG with other Government Departments including DBERR, DWP, DIUS and DCSF and their agencies. The 'ask' would also allow a more streamlined approach to performance monitoring. Our MAA proposition has six indicators which feature in the 35 LAA indicators agreed with Government and link directly to the national PSAs.
- 14.10 Regional single programme funding is aligned to the broad strategic framework which is reflected in emda's Corporate Plan. This recognises the Sub-Regional Investment Plan (SRIP) that is produced by the Strategic Sub-Regional Partnership (SSP), the Leicester Shire Economic Partnership (LSEP). The RDA makes funding allocations to the LSEP based on the SRIP. This is approximately £10m for the sub-region for each of the three years. Individual bids are submitted to LSEP and are approved based on the strategic fit with the SRIP.

Projects are submitted back to emda for approval and technical appraisal. All projects have to be approved by emda and any projects exceeding £1m have to be approved by the emda Board. The current arrangements do not allow for an agreed and detailed programme at a sub-regional level, but relies on the approval of individual projects.

- 14.11 The added value of a programme approach is that it can be seen as an integrated and coordinated programme across the sub-region aimed at achieving high level Regional Economic Strategy and PSA 7 target and Departmental Strategic Objectives, rather than a collection of individual projects which may achieve individual funding stream targets but not necessarily contribute to other higher level targets. The added value of a delegated approach is essentially effective and efficient delivery. Most projects involve public and private sector partners and the current process of obtaining approval becomes hierarchical and takes considerable time, particularly for schemes of a relatively low value in private sector investment terms. This then results in the private sector being less willing to work with the public sector, since long decision making times lead to uncertainty, risk and extra costs in terms of delay. The uncertainty of decision making also leads to over-programming, which we are constantly being requested by the RDA to do.

The Sub-National Review

- 14.12 The SNR supports the concept of programme rather than project approval and of delegation to Local Authorities.
- **Para 6.48 states:** “The Government expects the RDAs to delegate responsibility for spending to local authorities or sub-regions wherever possible, unless there is a clear case for retaining spending at the regional level. These reforms will allow local authorities to plan further ahead and put them in a better position to make the long term investments necessary to improve performance in their localities”
 - **Para 6.71 states:** “the Government will expect the RDAs to delegate delivery responsibilities where possible, unless there are clear reasons for not doing so. This should be possible in particular for sub-regions which represent functional economic areas and which have the capacity to manage large projects, provided decision making structures are in place which allows effective prioritisation of investments.”
 - **Para 6.115 states:** “Government will work with the RDAs to move to a programme-based approach to management of the RDA single programme budget, rather than a project-based approach.
 - **Para 6.116 states:** “The extent of delegation of responsibility for spending will need to depend on capacity at lower spatial levels. Where the RDAs can be confident that there are structures in place

which will ensure rigorous appraisal and prioritisation the Government will expect delegation of funding should be greater than in places where this is not the case.

14.13 We acknowledge that legislation is required to amend the RDA Act to allow full delegation to take place. The SNR consultation paper stresses that in delegation of decision-making and resources, RDAs will need to be satisfied that there is a clear rationale for the proposed spending and that expected outcomes are clearly identified for delegated funds. The Leicester and Leicestershire MAA would set out the basis for this rationale. The paper also stresses that in the interim pending amendments to the RDA Act: “the Government has made it clear that RDAs should explore, within the current legislative constraints, how greater flexibility can be given to local authorities to meet agreed outcomes, whilst ensuring that appropriate accountability and value for money requirements are in place.” In the light of this we wish to explore a possible delegation framework under the current legislation.

We want to work closely with emda to look at how delegation could take place in the current legislative framework, particularly in terms of an investment planning approach to agree strategic priorities as a basis for programme delegation. The key principles of our delegation process ask are:

- Agree a strategic investment programme for 2009-2012 based on our MAA and on the basis of its strategic fit with the RES and emda’s Corporate Plan
- Approval and strategic appraisal of individual projects which make up the investment programme to rest with the Sub-Regional governance arrangements
- Shorter timescales for the technical appraisal and monitoring of individual projects undertaken by emda

ASK 3 - Confirmation of funding for 3 years and the ability to vire resources through protocols with different funding streams from key agencies

Confirmation of Funding

- 14.14 The MAA consists of capital and revenue funding streams which span varying timescales and there is a need for a longer term agreement on funding, with a suggestion for a minimum of 3 or 5 years. The Government's spending plans and priorities generally cover three year time periods, and the 2007 CSR set these out for the period between 2008/09 and 2010/11. The 'ask' will need to form part of our MAA because it requires commitment from Central Government Departments including DEBERR, DWP, DIUS and DCFS. CLG has suggested that HMT would allow any Government Department to agree funding over any length of time with a region or sub-region, but that any "overhang" relating to the CSR period will be at the Department's own risk.
- 14.15 The 'ask' seeks to provide increased certainty of funding from Government for those projects included within the proposed MAA funding streams, particularly those relating to physical regeneration (RDA and Homes and Communities Agency funding). Physical regeneration, business support and employment and skills activities are vital mechanisms for stimulating economic growth and are the core focus of our MAA. We believe that all these disciplines need to be engaged collectively in regeneration activity than they are at present. Longer term financial planning will provide benefits for all parties involved in our MAA and would be particularly beneficial for Government Departments, and their need to show not only spend as programmed, but also their need to maximise the return on such expenditure.
- 14.16 We want to expand the role of partner agencies such as Jobcentre Plus, LSC, Connexions and higher education institutions in our sub-region as strategic partners in economic development. It is essential that these organisations are brought into programmes where major physical regeneration activity is linked to specific economic sector development. Engaging providers at the initial stages of planning, and throughout each stage of the process would enable them to deliver tailored programmes within complementary timescales.
- 14.17 A conjoined approach would see partners including the LSC, Job Centre Plus, emda and the local authorities in the sub-region agree to align their mainstream funding around MAA priorities. Any alignment of funding will include resources that are used to improve physical infrastructure, whether this is for sites and premises or for facilities that support skills delivery. The same considerations will also relate to those sectors that are considered to be the key drivers of growth in the sub-region.

- 14.18 The benefits to Government of this 'ask' will be the efficient delivery of the main projects, since a greater degree of certainty will allow more projects to be brought forward for development earlier. One of the primary reasons given by the local authorities for a perceived lack of detailed development work under the current arrangements is that much of this work would be "at risk" as project delivery lies beyond the existing short term funding commitments. The short term commitments for large scale capital projects has resulted in a number of schemes being brought forward at an early stage in the sub-region that are not due for implementation until after 2011. Greater certainty will reduce the current instances of over-programming within the Sub-Regional Investment Plan, as this is ordinarily built into the plan to account for relatively short commitments and uncertainty beyond the defined time period. Over-programming can then be perceived as lack of delivery as projects inevitably slip within the programme
- 14.19 Certainty of public sector funding would also generate greater private sector leverage. This is one of the most significant barriers to attracting private investment in larger scale schemes and setting out longer term plans for investment with defined public sector commitments will result in increased private sector leverage and an accelerated delivery timescale.

Virement

- 14.20 This 'ask' seeks an ability to vire resources across different disciplines and requires agreement from Government Departments (DWP, DBERR, DIUS, DCSF) and agencies (emda, LSC, Job Centre Plus, HEFCE) because there may be a risk that the virement of resources will have an impact on a Department's PSA target. The 'ask' requires agreement from Government Departments and agencies to allow the Leicester and Leicestershire MAA to vire resources between different disciplines in any financial year in order to better manage the MAA Implementation and Investment Plan and/or to reflect changing priorities. Flexibility currently varies widely and there is no overarching policy regarding virement and is dealt with between individual funding partners.
- 14.21 The ability to vire resources between the different disciplines proposed in the MAA does not exist at present. Virement across financial years and across the MAA programme cannot be undertaken with the funding streams, but such changes can only take place at the moment within the funding stream concerned, and also are likely to need a degree of additional approval from the funding partner concerned.
- 14.22 The fundamental issue relating to virement remains whether individual funding partners would be prepared to allow what is perceived as "their" money being spent in a particular financial year on another priority outside the partners' remit. For example, would DWP accept funding granted for their DSO being used for those of DBERR or

DIUS? A further issue is how virement affects a Department's PSA target (or targets) in any given year. Although the overall MAA programme should deliver projects more efficiently and allow the PSAs and indeed DSOs to be achieved, there may need to be an evaluation of outputs and targets over a three or five year trajectory rather than annually to take account of any virement.

- 14.23 Effective virement will only work to its full extent in line with funding certainty described above. The only way that moving money between funding partners is likely to be acceptable will be if there is a guarantee that funding will be replaced the following year therefore longer term funding certainty would not be essential to the same extent. This may require a review of the rules governing some funding sources and their flexibilities.
- 14.24 This 'ask' will avoid situations where funding is being made available towards the end of a financial year to avoid it being lost completely. In these circumstances the funding is allocated to projects that guarantee complete spend but do not entirely deliver the preferred outcome or outputs and therefore the return on the investment is not maximised. A number of larger scale projects within the single programme element of the MAA could increase the risk of being unable to spend effectively in any given financial year without the requested flexibility on virement and the ability to carry forward funding. As with a longer term commitment of funding, virement should also reduce the current instances of over-programming which is built in to account for past performance and project delays.
- 14.25 There needs to be formal discussions with the Government Departments and agencies involved in the MAA, that is, DCLG, DBERR, DWP, DIUS and DCFS and emda, LSC, Job Centre Plus, and HEFCE, to discuss whether the departments and agencies would be willing to enter into such an agreement. There is also likely to be a need to take any agreed proposals to HMT to obtain approval for any new arrangements. Any agreement would be crucial in preparing our MAA Implementation and Investment Plan. There is also likely to be a need to take any agreed proposals to HMT to obtain approval and to facilitate any revised agreements relating to the annual evaluation of performance against PSAs and DSOs.

ASK 4 - MAA Partnership should influence the commissioning of national and regional programmes relating to business support, employment and skills.

- 14.26 The Leicester and Leicestershire sub-region currently has no influence on decisions on the timing and level of funding of national and regional programmes relating to employment and skills and business support and the eventual delivery of the programmes. Clearly where such decisions will have a significant impact on the delivery of our sub-regional priorities and the MAA targets, it would seem logical to develop a mechanism whereby the sub-region can at least be partially involved in such discussions at an early stage. The 'ask' is for a mechanism whereby the sub-region could play an active role in determining and overseeing the delivery of national and regional programmes within the Leicester and Leicestershire sub-region through the MAA.
- 14.27 Agencies such as the LSC, Job Centre Plus and HEFCE that have a national focus may not necessarily be set up to engage on a sub-regional basis and the MAA should provide an opportunity for national programmes such as Pathways to Work, Flexible New Deal and Train to Gain to be adapted to local circumstances. There may be opportunities for the sub-region to add value to these programmes as well as the possibility of providing economies of scale in delivery where there is an overlap with other work on a priority. This will inevitably be the case on priorities relating to worklessness, employment and skills.
- 14.28 A prime example of where the 'ask' will add value is the delivery of business support activities. The Government's Business Support Simplification Programme (BSSP) is seeking to reduce the number of business support products from over 3,000 to 100 by 2010. This process is being lead by DBERR and business support activities will be delivered and commissioned at a regional level by the RDA. We accept the underlying principles of a national approach to policy formulation, however we are concerned at the centralist, top-down direction that the BSSP process and other national programmes appear to be taking. This is in marked contrast with the overall thrust of SNR which recognises the importance of sub-regional economies and is predicated on the principle of devolving funding and decision-making wherever possible to the sub-regional level and recognises the key lead role of elected local authorities.
- 14.29 Another concern is that a 'one size fits all' regional and national delivery approach will not provide for local needs. We believe that programmes relating to business support, worklessness, employment and skills should be locally focused. In our view a balance is needed which combines achieving economies of scale with providing the best possible customer experience and the necessary sensitivity to local circumstances and requirements. We believe that the MAA can

provide the best route for coordinating and providing an integrated approach to business support to achieve this.

- 14.30 The MAA will ensure partners continue to provide specialist and locally focused measures, which add value to the generic service provided by national and regional programmes, based on our judgements as to local needs. We would therefore like to see recognition of the role of local partnerships alongside RDA's in taking ownership for the delivery of local and regional priorities. RDA funding should be prioritised at a local rather than national level e.g. by sector, locality, or where funds will have the maximum impact against locally agreed priorities. In relation to business support programmes, currently there is the risk of duplication of delivery through ERDF, LSC and RDA funding which is not adequately coordinated.
- 14.31 The Government is putting too much emphasis on accessing business support through the relatively new and as yet unproven regional approach put in place by most RDAs. The focus of business support activities should be tailored at a sub-regional level informed through Sustainable Community Strategies and subsequent LAA and MAAs. This will ensure that Government policy across central departments is joined up and achieves maximum outcomes on the ground. There needs to be a duty on RDA and local authorities to cooperate and for the emda to involve the MAA partners when procuring and commissioning delivery in the Leicester and Leicestershire sub-region.

ASK 5 - New flexibilities and measures for HEFCE and Train to Gain to support higher level skills development in the Sub-Region

14.31 The 'ask' is for Government to implement new flexibilities and measures for Higher Education Funding Council for England (HEFCE) and Train to Gain in the East Midlands to help drive demand for skills in the sub-region amongst sectors, employers and individuals. Also to provide flexibility to LSC and Job Centre Plus to recognise local authority employer relationships to enable greater access to pre-employment support and links to Train to Gain.

HEFCE

14.32 Post-compulsory education in England is funded, developed and delivered on a highly institutionalised landscape. Progression to Level 4 and beyond is dependent on individuals being able to obtain qualifications at Level 3. However, national funding priorities set for the LSC by Government have long focused on Level 2 qualifications and have tended to favour 16-19 year-olds rather than adult learners. Post-Leitch, a start has been made on redressing this imbalance but there is still a long way to go. Train-to-gain funding for Levels 3 and 4 is still insubstantial compared to Level 2, and despite the clearly articulated voice of employers is currently confined to 'full' as opposed to 'partial' qualifications. In seeking to progress learners between levels, providers continue to encounter 'audit' problems relating to the categories of student to which both mainstream and special initiative funding can be applied.

14.33 As with funding, so with the actual substance of potential collaboration. Service providers, like their funders and regulators, tend to focus on their own targets, and partnership working is the honourable exception rather than the norm. Where projects are developed in particular communities, multi-agency cooperation across multiple agendas is rare. The practical difficulties of making it happen are reinforced by the lack of understanding and trust between groups of professionals with widely differing experiences, objectives and operational vocabularies.

14.34 DIUS has asked service providers, especially universities and colleges, to be flexible and innovative in the way they develop and deliver courses that meet employer demand. DIUS and HEFCE need to ensure that their own bureaucratic requirements do not strangle the initiative of those who try to respond.

- 14.35 Regional and local authorities can do much to identify communities on which to target coordinated multi-agency projects and align spending priorities to facilitate them. Education providers could work more effectively in a community where crime, poverty, worklessness and public-health inequalities were being addressed simultaneously. The 'extended school' concept should be developed through into higher levels and later stages of educational attainment and skills acquisition.
- 14.36 Legislation is unlikely to be helpful in achieving short-term targets. A policy of breaking down silo walls, reducing the bureaucratic overhead and encouraging agencies to work flexibly across professional boundaries might be more effective. For higher education specifically, a funding regime for work-based learning that facilitates 'step-on, step-off' engagement and 'small bites of learning' is essential. Payment by 'band-weighted credits' rather than Additional Student Numbers would be ideal.
- 14.37 To meet greater demand for higher level skills in the sub-region that matches agreed sector and spatial economic priorities, we believe that flexibility from the DIUS and HEFCE is required in order to enable our sub-regional higher education institutions to shape the delivery of specific training and education programmes. An increased emphasis on unitisation, which would allow individuals to undertake specific elements of qualifications rather a single full qualification, would help providers meet the precise demands of employers and individuals. This flexibility is crucial if more small and medium sized businesses are to engage in higher level skills development in the sub-region. Our 'ask' of DIUS is to allow HEFCE to provide additional flexibility to FE Colleges in the sub-region to deliver units of foundation degrees.
- 14.38 In particular, flexibility is required for individuals to top up any skills development activity that may have been funded by their employer to a full qualification. It should only require an individual to pay for the additional elements of the programme and to be able to do this at any institution, even if it is different from the one used by their employer. This will require providers in Leicester and Leicestershire to have an agreement in place to facilitate this.

Train to Gain

- 14.39 Additional flexibility is also required to recognise the costs associated with employer engagement within the overall funding package to individual institutions. The specific 'ask' here is for funding to be mainstreamed rather than it to be made available via pilots or initiatives. Our 'ask' of DIUS is for the region to implement the new flexibilities and measures outlined in the LSC Train to Gain strategy, and for the sub-region, as an intermediary, to be given a stronger role in supporting Business Link to drive demand amongst employers and individuals to access Train to Gain.

- 14.40 The LSC outlined a strategy for strengthening the Train to Gain programme which illustrates a series of measures to drive additional employer demand for skills and usage of the Train to Gain service. It proposes that new measures and flexibilities around the public subsidy for skills are pioneered in London in an attempt to raise performance. We believe that these measures should also be piloted in the East Midlands to build on existing good practice in the region and to generate greater demand amongst employers and individuals for the service and the skills development it can support. Train to Gain and the business brokerage service will continue to be delivered on a regional basis. However, there is an opportunity for the sub-region to work closer with Business Link to identify specific sectors and businesses where the demand amongst employers and individuals for higher level skills can be accelerated.
- 14.41 Where public sector support is provided to businesses, particularly around innovation, knowledge transfer and new market development, then this should be accompanied by a diagnostic assessment of the adequacy of the existing workforce to implement the required changes and maximise the benefits of the intervention. This would require Business Link to undertake a skills diagnostic assessment within the context of a business solution and to work with businesses in developing a range of options for addressing any skills gaps that are identified. If Business Link requires additional capacity to undertake this function then it should be provided. As part of our MAA, we believe that Business Link, as part of its brokerage service, should be given additional freedoms and flexibilities to stimulate greater demand, through Train to Gain.

ASK 6 - Easements on the rules around work experience and allowing benefit claimants a “Benefit Run-on” for the first month of employment

- 14.41 There are a number of things that DWP can do to improve local delivery to address worklessness. This includes:
- Easements on the rules around work experience
 - Allowing customers a “benefit run –on” for a month so that they could receive money to help them through the first month of employment
 - Job grants to help people with initial employment expenses: clothes, bus fares, childcare etc.
- 14.42 The ‘ask’ will ensure that when a person starts work after a period of unemployment, the first weeks will not prove to be a financial burden. Sudden expenses that come along, bus fares, lunches, work clothes and childcare can be a real disincentive to start a new job, even if the customer is otherwise keen to re-start work. Until a pattern of monthly wages is established, a benefit “run-on” could help. This could consist of the Job Centre paying the same rate of Jobseekers Allowance, Incapacity Benefit or Income Support plus Housing Benefit for a month after the customer starts work so that he or she is not struggling for money to go to work. This should be a non-refundable bonus to encourage the customer to have confidence that they are doing the right thing in taking a job and bridge that difficult time.
- 14.43 Working with partners through the MAA will also help to deliver the PSA 11 target in relation to the Child Poverty agenda. This should improve service provision by providing enhanced services for the customer and support the customer journey. By not duplicating provision there should be some savings and value for money.

MAA Targets

- 14.43 In exchange for the 'asks', the Leicester and Leicestershire MAA partnership will deliver a broad programme of strategic investment relating to business and enterprise, employment and skills and infrastructure in order to deliver the targets and outcomes outlined in this agreement with Government.
- 14.44 We propose to implement our MAA from 1st April 2009 to 2020. The MAA will undergo frequent reviews and refresh at intervals to be agreed with Government. This timeframe will enable the MAA partnership to make a positive impact on sub-regional economic performance. By April 1st 2009, we will have prepared a detailed MAA Implementation and Investment Plan underpinned by a Sub-Regional Economic Assessment and we will have established new governance and delivery arrangements in the form of a Leadership Board and Economic Development Company (EDC). In addition, we will have developed a robust MAA performance framework and negotiated with Government, the key targets outlined in the table on page 88.

National Indicator	Sub-Regional Baseline	MAA	MAA	MAA	City / County	Baseline	LAA		
		2009/10	2010/11	2011/12			2008/9	2009/10	2010/11
NI 117: 16 to 18 year olds NEET					City				
					County				
NI 152: Working age people on out-of-work benefits (PSA 8)					City				
					County				
NI 163: Proportion of population aged 19-64 (males) and 19-59 (females) qualified to at least Level 2 or higher (PSA 2)					City				
					County				
NI 165: Proportion of population aged 19-64 (males) and 19-59 (females) qualified to at least Level 4 or higher					City				
					County				
NI 172: Percentage of small businesses in an area showing employment growth					City				
					County				
To be determined following the HMA studies, due to be completed in July 2008					City				
					County				