Key Sectors Policy for Leeds City Region

A final report by ekosgen

in partnership with

Kada Research

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Executive Summary

Introduction

Leeds City Region is one of the largest Local Enterprise Partnership (LEP) areas in England, with a population of 3 million, nearly 100,000 separate businesses and a workforce of 1.3 million. The Leeds City Region LEP is currently developing a Strategic Economic Plan, setting out its plan for growth. To feed into the development of the Plan, the LEP has commissioned a number of research projects, including the Key Sectors Policy study. The purpose of this work is to review the performance of sectors within Leeds City Region and identify sectors which provide the best opportunities for economic growth. The sectors have been assessed on the following criteria:

- employment levels and forecast change;
- employment specialisms in comparison to England and the other core city LEP areas;
- output levels and forecast change;
- productivity levels;
- export and inward investment potential; and
- existing research strengths and assets within the City Region.

This final report sets out the findings of the data analysis and identifies the key sectors which can play an important role in driving growth within Leeds City Region. The report uses both official statistics and information from commercial databases to provide a picture of the activity undertaken within Leeds City Region in each of the key sectors, identifying particular specialisms and linkages between the sectors.

Why Sectors?

Over a number of years, the approach to encouraging private sector business growth has undergone a number of iterations. From “picking winners” to cluster theory, a range of approaches has been tried, with varying degrees of success. Leeds City Region has adopted a sector-based approach to encouraging growth, although alternative approaches such as targeting businesses operating in similar markets, in the same supply chains or using the same underlying technology could also be adopted.

The sector-based approach recognises that the drivers of growth and factors underlying competitiveness vary considerably from one sector to another, and ensures that policy responses appropriate to the need of each sector are developed. The approach is aligned with the sector focus within the Government’s Industrial Strategy. However, the focus on priority sectors does not mean that opportunities for growth in the rest of the economy will be ignored, nor that cross-cutting issues cannot be addressed through generic business support.

The Context for Sector Growth

Although a successful northern economy, Leeds City Region lags behind the national average on a range of economic indicators and does not perform as well as some of the other core city region LEP areas. To close the gap with the national average, Leeds City Region needs to increase both the number of jobs and the value added by its businesses and workers. Current forecasts suggest that the City Region will keep pace with national growth in employment and GVA. But to narrow the gap with England and raise its performance to the level of the most successful core city areas, Leeds City Region will need to maximise the potential offered by sectors which have high levels of productivity and the potential to grow through exporting and inward investment.

Summary of Sector Strengths – Exports, Inward Investment, Research and Innovation

In the current economic climate, there is an emphasis on export-led growth as a route out of recession. Building on the UK's strengths as a location for Foreign Direct Investment will also contribute to economic growth. The Government is also putting increased emphasis on the economic potential of the research strengths within the UK's universities, and investing funds in innovation through the Technology Strategy Board. The table below summarises Leeds City Region's key strengths in each of these areas.

Leeds City Region Sector Strengths in Key Areas

Exporting Potential	Inward investment potential	Research Strengths	National Innovation Priorities
Financial services	Financial services intelligence	Agri-science	Bio-science
High-tech goods	Health innovation	Advanced materials	Advanced materials
Communication	Advanced digital technologies	Big Data	ICT
Construction services	Powertrain & precision engineering	Regenerative medicine	Healthcare
Education	De-carbonised energy and renewables	Robotics	Energy
		Satellites	High value manufacturing

Summary of Sector Strengths – Employment, GVA and Productivity

The sector analysis also considered the current performance of sub-sectors on a range of economic indicators. The table below summarises the top five performing sectors in relation to employment, GVA and productivity.

Leeds City Region Sector Performance

Employment (numbers)	Employment (specialism)	Gross Value Added
Education	Manufacture of textiles	Wholesale
Retail	Manufacture of beverages	Retail
Health	Water collection, treatment and supply	Electricity, gas, etc
Public administration	Manufacture of furniture	Specialised construction
Food and beverage services	Printing / recorded media	Manufacture of food
Employment Growth (%)	**Productivity**	**GVA Growth**
Professional services	Electricity, gas etc	Finance
Computing and information	Air transport	Real estate
Administrative and support services	Rental and leasing	Retail
Land transport	Telecommunications	Wholesale
Media activities	Manufacture of basic pharmaceuticals	Professional services

Sector Prioritisation

The findings of the research are presented in the table below, which summarises the conclusions in relation to the broad sectors in Leeds City Region and identifies the sub-sectors which provide the best opportunities to support economic growth.

Sector Prioritisation Framework – Summary		
Broad Sector	**Specific sub-sector focus / linkages**	**Sub-Sector Priority Level**
Financial, prof. and business serv.	Links to all sectors – provides support for sector growth. Strong brand and key employers (mutuals and insurance for instance)	High
Human health & social work	**Medical device manufacture**; **health data analysis**; **regenerative medicine**. Links to advanced manufacturing; bio-tech; agri-science; food and drink	High
Computing & Information	**Satellite telecommunications**. Links to creative industries (as part of CDI sector), plus health and financial sectors	High
Manufacturing	**Advanced manufacturing**; **textiles**; **food and drink manufacture**; **medical technologies**; **publishing and printing**	High
Energy and Water	Electricity generation; **Low carbon**; advanced manufacturing for components	High
Education	Excellent academic institutions support research which benefits all sectors. International connections through universities.	Medium
Transportation and storage	Supports all other sectors. Particularly close links to food and drink manufacturing	Medium
Accomm. and food services	Links to retail – part of the visitor offer. Also links to cultural / creative industries	Medium
Construction	Derived demand – responds to demand from other sectors	Medium
Arts, ent. and recreation	Links to cultural and creative industries; also to tourism and accommodation services	Medium
Wholesale and retail	Link to accommodation and food services (although most demand is local)	Low
Public admin and defence	Links to health sector	Low

The analysis suggests that the existing key sectors remain the right ones for Leeds City Region to prioritise for intervention:

- Financial, professional and business services;
- Advanced manufacturing;
- Health and bio-science;
- Creative and digital industries;
- Food and drink; and
- Low carbon industries.

A one-page summary of Leeds City Region's position in relation to each of these sectors is included overleaf. More detail on each sector is included in the main report.

Supporting Sectoral Growth

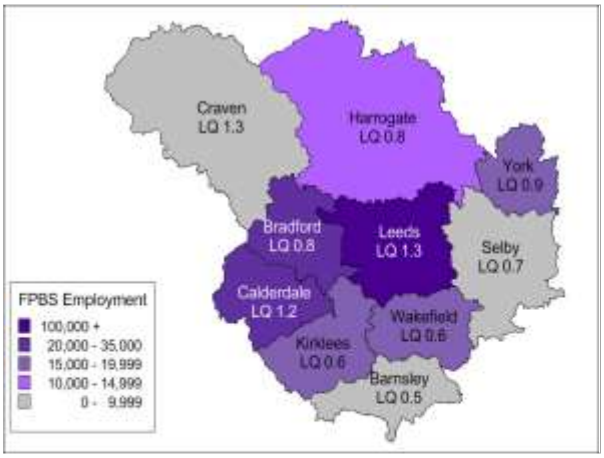
The confirmation that the key sectors identified for Leeds City Region remain the right ones, based on an analysis of existing strengths and future opportunities, provides the Leeds City Region team with a deeper understanding of where growth is likely to be generated within the City Region and the business base which may be able to capitalise on these growth opportunities. However, other parts of the economy are also forecast to grow, driven by a growing and ageing population and the spending power of Leeds City Region residents.

The Leeds City Region Strategic Economic Plan contains a range of measures which will support the growth of the key sectors, as well as the wider economy, through a mix of sector-focussed and thematic business support interventions and investments.

Financial, Professional and Business Services

Sector Overview

Employees	256,100
Businesses	21,460
Small/Medium (1-249 employees)	*21,380*
Large (250+employees)	*80*
GVA	£14,900m
GVA per FTE	£66,700
Highly skilled occupations	53%
Average wages	£24,859
Exporting potential	Medium



Sector Drivers

There are six key drivers that will encourage growth and create opportunities in the sector:

Advancing Technology: Increasing productivity/ efficiency and opening up new markets
Ageing Population: Increasing demand for services, e.g. pensions and life insurance
Big Data: Driving the next generation of innovation
Entrepreneurial Talent: Dominance of micro businesses in the sector
Consumer Demand: Increasing demand leads to horizontal integration between businesses
Growing Global Markets: Increasing purchasing power of emerging economies

Employment Specialisms

Sub-sectors with LQ of 1.2 or more and over 5,000 employees		
Sub-sectors	**Employment**	**Location Quotient**
Other activities auxiliary to insurance and pension funding	6,500	1.7
Advertising agencies	7,600	1.6
Other monetary intermediation	28,800	1.5
Private security activities	11,900	1.4
Activities of head offices	14,100	1.3
Legal activities	14,900	1.2
Activities of insurance agents and brokers	6,300	1.2
Source: Business Register and Employment Survey		

Cross-Sector Linkages: The financial, professional and business services sector is cross-cutting in nature, providing technical and support services for direct consumption by businesses operating in other sectors and adding value to, for example, manufactured products, which will then be sold to the end user.

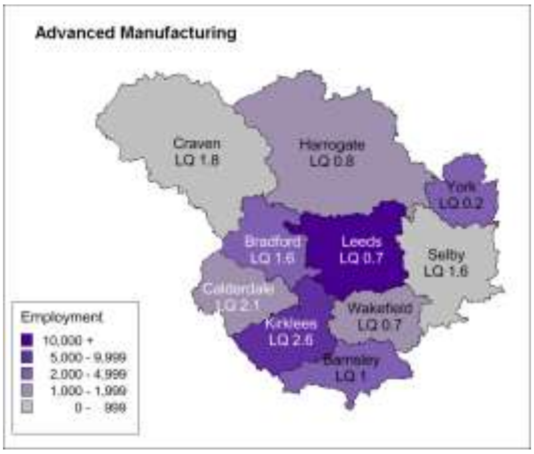
Local Assets and Key Companies: Local assets that can help to support growth and attract investment include data centres, headquartered mutuals, the Credit Risk Management Research Centre, the Financial Services Intelligence Hub and a number of professional networks operating across the City Region.

Significant employers in the sector in the City Region include: building societies (Yorkshire Building Society, Leeds Building Society and Skipton Building Society), national/international banks (Santander and Halifax), large professional services firms (PwC and KPMG), insurance providers (Aviva, Hiscox and SME Insurance Services), several large law and accountancy firms and professional and business service companies (such as InTechnology and Total System Service Processing).

Advanced Manufacturing

Sector Overview

Employees	49, 500
Businesses	1,985
Small/Medium (1-249 employees)	*1,945*
Large (250+employees)	*40*
GVA	£2,581m
GVA per FTE	£56,000
Highly skilled occupations	34%
Average wages	£24,959
Exporting potential	High



Sector Drivers

There are seven key drivers that will encourage growth in the sector including:

Technological Development: Driving research/ development of new products and processes

New and Advanced Materials: Identified to drive future growth and targeted for investment

Dwindling resources/Need for energy efficiency: Growing demand for sustainable/ environmentally friendly products

Potential Re-shoring of Manufacturing Activity: Firms expanding production in home countries or repatriating production over international outsourcing.

Inward Investment

Growing Global Markets

Changing Consumer Demand

Employment Specialisms

Sub-sectors with LQ of 1.2 or more and over 1,000 employees					
Sub-sectors	**Emp.**	**LQ**	**Sub Sectors**	**Emp.**	**LQ**
Preparation & spinning of textile fibres	1,700	12.0	Paints, varnishes & coatings, printing	1,800	2.3
Weaving of textiles	1,600	7.3	General-purpose machinery n.e.c.	2,300	2.0
Bearings, gears, gearing & driving ele.	1,900	4.2	Electr. motors, generators & transformers	1,200	1.9
Metal forming machinery	1,300	4.2	Electric lighting equipment	1,300	1.9
Finishing of textiles	1,200	3.9	Non-domestic cooling & ventilation equip	1,700	1.6
Other pumps & compressors	2,600	3.8	Electricity distribution & control apparatus	1,100	1.4
Electric domestic appliances	1,300	3.3	Medical &dental instruments and supplies	2,300	1.3
Other taps and valves	1,100	2.3	Other parts & accessories for motor veh.	2,600	1.2

Cross-Sector Linkages: The manufacture and finishing of high-value textiles, in which the City Region has an employment specialism, is now being applied across a number of sectors, such as healthcare and transport.

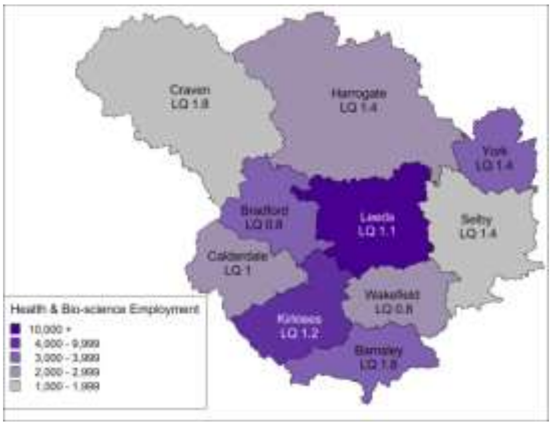
Local Assets and Key Companies: Local assets that can help to support growth and attract investment include Science City York, FabLab Airedale, Aire Valley Leeds Enterprise Zone, Calderdale and Kirklees Manufacturing Alliance, the Bradford and Airedale Manufacturing Alliance and the University of Bradford's Automotive Research centre.

Key companies in the sector include household names such as Mitsubshi Power systems and Fujitsu. However the sector also has a large number of less well–known companies which are world leading, including turbo technology companies (such as Cummins Turbo technology), chemical and pharmaceutical manufacturers (including Thornton and Ross) and gearing, pumps and valves manufacturers (such as David Brown Gear Systems).

Health and Bioscience

Sector Overview

Employees	36,400
Businesses	925
Small/Medium (1-249 employees)	*910*
Large (250+employees)	*15*
Highly skilled occupations	52%
Average wages	£19,734
Exporting potential	Medium



Sector Drivers

There are six key drivers that will encourage growth and create opportunities in the health and bioscience sector:

Investment in regenerative medicine: One of the 'eight great technologies' targeted for investment.

Technological advances: Increasing importance of Big Data, robotics, synthetic biology and new advanced materials will drive demand for technical skills/support.

Ageing population: Will drive demand for healthcare and pharmaceuticals.

Increasing prevalence of health conditions: Greater demand for health services.

Higher interest in personal health and rising incomes: Increasing concerns over health combined with rising incomes and consumerism will increase demand for healthcare**.**

The personalisation agenda and independent living: Policy changes underway to enable adults more control over their support and this will impact how healthcare is delivered.

Employment Specialisms

Sub-sectors with LQ of 1.1 or more and over 1,000 employees		
Sub-sectors	**Employment**	**Location Quotient**
Other human health activities	19,500	1.3
Manufacture of medical and dental instruments and supplies	2,300	1.3
Regulation of activities providing health care	4,900	1.1
Source: Business Register and Employment Survey		

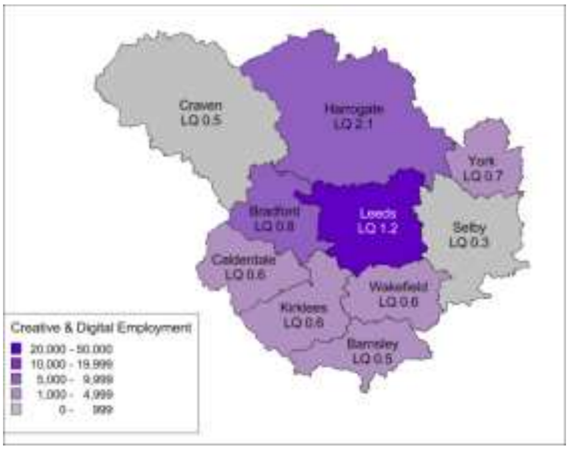
Local Assets and Key Companies: Local assets that can help to support growth and attract investment include: Medipex, Medilink, Medical Technologies IKC, Regener8, Aire Valley Leeds Enterprise Zone and Bioincubator Space. The City Region is also home to NHS England (the national body which oversees the commissioning of NHS services).

There are several key companies in the Health and Bioscience sector in the City Region, and these range from medical equipment manufacturers (such as Brandon Medical, Smith and Nephew and DePuy International) to leading pharmaceutical companies (such as Thornton and Ross and Galpharm). There are also innovative and research driven analytical service companies in the region, such as Covance (provider of clinical trial central laboratory services) and Unilabs (a specialist provider of bioanalytical, metabolism and biomarker services).The City Region also has a number of tissue repair companies, including Tissue Regenix and Neotherix.

Creative and Digital

Sector Overview

Employees	64,000
Businesses	7,855
Small/Medium (1-249 employees)	*7,845*
Large (250+employees)	*10*
GVA	£3,195m
GVA per FTE	£64,800
Highly skilled occupations	44%
Average wages	£23,883
Exporting potential	High



Sector Drivers

There are eight key drivers that will encourage growth in the sector including:

Big Data: Driving the next generation of innovation

Increasing use of IT and data services: Will drive growth and create demand for services

Development of other great technologies: Development of satellite technology and robotics will have implications for communications and will generate demand for technical skills/ services.

New technology and changing business practice: Opens up new markets, increasing e-commerce and productivity driven by efficiency gains.

Stronger networks: Development of virtual networks between businesses

Rising incomes and consumption patterns

Inward investment

Growing global markets

Employment Specialisms

Creative and Digital – Employment Specialisms (Ranked by LQ) Sub-sectors with LQ of 1.2 or more and over 500 employees		
Sub-sectors	**Employment**	**Location Quotient**
Satellite telecommunications activities	600	3.4
Pre-press and pre-media services	1,300	2.6
Publishing of newspapers	6,200	2.5
Other publishing activities	1,200	2.4
Printing	8,000	1.9
Advertising agencies	7,700	1.6
Source: Business Register and Employment Survey		

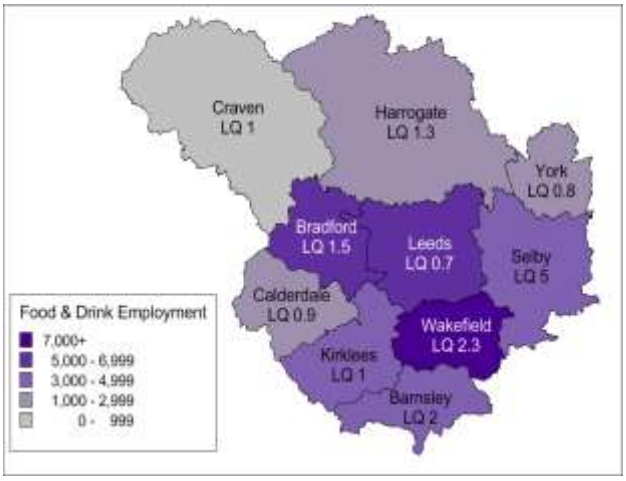
Cross-Sector Linkages: The spread of knowledge that is caused by the creative and digital sector influences innovation, supporting new product development and innovative methods of distribution.

Local Assets and Key Companies: Local assets that can help to support growth and attract investment include: world-class gaming companies (such as Team 17, Rockstar and Dubit), the Centre for Industrial Collaboration in wireless technologies, the Advanced Digital Institute, and the Media Centre in Huddersfield. Other key companies in the sector include communications companies (such as Pace, Radio Design and Echostar Europe) and media production companies (such as True North and Aesthetic). Software development and product design companies are also prominent in the City Region, with businesses such as Trust Market Solutions and Isotoma based there.

Food and Drink

Sector Overview

Employees	37,000
Businesses	1,100
Small/Medium (1-249 employees)	*1,085*
Large (250+employees)	*15*
GVA	£1,192m
GVA per FTE	£55,000
Highly skilled occupations	31%
Average wages	£22,233
Exporting potential	Medium



Sector Drivers

There are 7 key drivers that will encourage growth in the food and drink sector, including:

Technological advances: Influencing R&D and innovation across the sector

Rising incomes: Increases demands for food and drink products as expenditure on non-essential items increases

Demand for British food overseas: Reputation for high quality food which is generating demand from overseas

Demand for healthier food: As the nation becomes increasingly health conscious

Demand for finished products: Pre-prepared food and meal options in response to busy lifestyles

Pressure from society for food to be produced in a more environmentally friendly way

Growing concerns over availability of resources

Employment Specialisms

Sub-sectors with LQ of 1.2 or more and over 1,000 employees		
Sub-sectors	**Employment**	**Location Quotient**
Manufacture of hollow glass	1,700	8.5
Manufacture of cocoa, chocolate and sugar confectionery	2,600	3.1
Manufacture of soft drinks; mineral waters and other bottled waters	1,300	3.1
Manufacture of beer	1,400	2.2
Processing and preserving of meat	1,500	2.1
Production of meat and poultry meat products	2,800	2.0
Wholesale of dairy products, eggs and edible oils and fats	1,100	1.8
Manufacture of bread; manufacture of fresh pastry goods and cakes	5,600	1.8
Manufacture of rusks, biscuits; preserved pastry goods and cakes	1,500	1.6
Wholesale of fruit and vegetables	2,000	1.2
Manufacture of plastic packing goods	1,200	1.2
Source: Business Register and Employment Survey		

Local Assets and Key Companies: Local assets that can help to support growth and attract investment include FERA (Food & Environment Research Agency), the expertise of Leeds and York Universities and centres for radio frequency intervention and food robotics.

Leeds City Region is home to several well-known brands including: Coca Cola (the largest soft drinks plant in Europe), Nestle, Haribo, Mcvities, Warburtons, Yorkshire Tea, Betty's & Taylor's, Seabrooks crisps, Dr Oetker and Harrogate Spring Water. The City Region is also the headquarter location of two of the big four supermarkets (Asda in Leeds and Morrisons in Bradford) and these are significant employers in the area.

Low Carbon Industries

Sector Overview

Employees	39,300
Workplaces	2,169
Sales	£5,395m

Sector Definition

The low carbon industries sector is difficult sector to define with several competing definitions. This reflects a number of factors including: (i) the cross-cutting nature of the sector with many companies that carry out low carbon and environmental activities traditionally being based in the energy, manufacturing and financial, professional and business services sectors, and (ii) the fact that, in many cases, low carbon and environmental activities will only account for a proportion of a company's overall activity. The definition used here is:

- **Low carbon and environmental goods and services businesses:** This covers businesses which operate directly in the sector and develop, produce and/or deliver specific low carbon and environmental goods or services.

Whilst energy generation is an important part of the Leeds City Region economy (the City Region currently generates a sixth of the UK total), and the integration of low carbon behaviour across the economy is an important part of developing an economy which is resilient in the 21st century, this is picked up in the LEP's 'resource smart' priority and is therefore not included in the Low Carbon Industries sector definition.

Sector Drivers

There are two key drivers that will encourage growth and create opportunities in low carbon industries:

- **Climate Change:** global and national concern over climate change and carbon emissions, and the associated need to explore alternative energy sources is leading to the investigation and development of new environmental technologies and new processes.

- **Policy:** The UK Government has supported the low carbon agenda through specific policies which incentivise the use of green technologies and renewable energy sources. Further policies are expected to emerge and continue to drive demand for low carbon technology development.

Employment Specialisms: Leeds City Region already has areas of expertise and strengths within energy management and efficiency, environmental consultancy and water supply and waste water treatment.

Local Opportunities: Leeds City Region has a number of opportunities to take advantage of anticipated growth in low carbon industries. These cut across a number of traditional sectors. The already large manufacturing and advanced manufacturing workforce can be utilised to take advantage of growth in sub-sectors relating to green technologies. There are opportunities for the introduction of carbon capture and storage and biofuel activities at the three major coal-fired power plants which are coming to the end of their life cycle. Additionally, there is an opportunity to build upon the existing expertise the City Region has in green economy deals within the finance, professional and business services sector.

Local Assets: Local assets that can help to support growth and attract investment include expertise within the universities and colleges, the Think Low Carbon Centre and eight centres of low carbon expertise which are located across the City Region.