



Sectors, assets and potential:

Building prosperity in Central Bedfordshire

March 2021



Section 1: Why this study?

Introduction: Why Central Bedfordshire Council commissioned this study

Over recent years, Central Bedfordshire Council (CBC) has focused on four key sectors (agrifood, high performance technology, visitor economy and advanced logistics).

There is a need to take stock. There has been substantial economic change at a national level which has been intensified through both COVID-19 and the process through which the UK has left the EU.

Within CBC, there have been major strategic developments...

- A new **Vision** has been developed:
 - based on extensive consultation, this distils '*what we want Central Bedfordshire to be like in 20 years time*'
 - it emphasises the importance of a prosperous local economy – one that is '*connected, innovative and industrious*'

Central Bedfordshire will be a great place to live and work.

It will be a place to prosper - connected, innovative and industrious.

It will be a place to be proud of - sustainable, inclusive and safe.

It will be a place to call home - housing, services and environment.

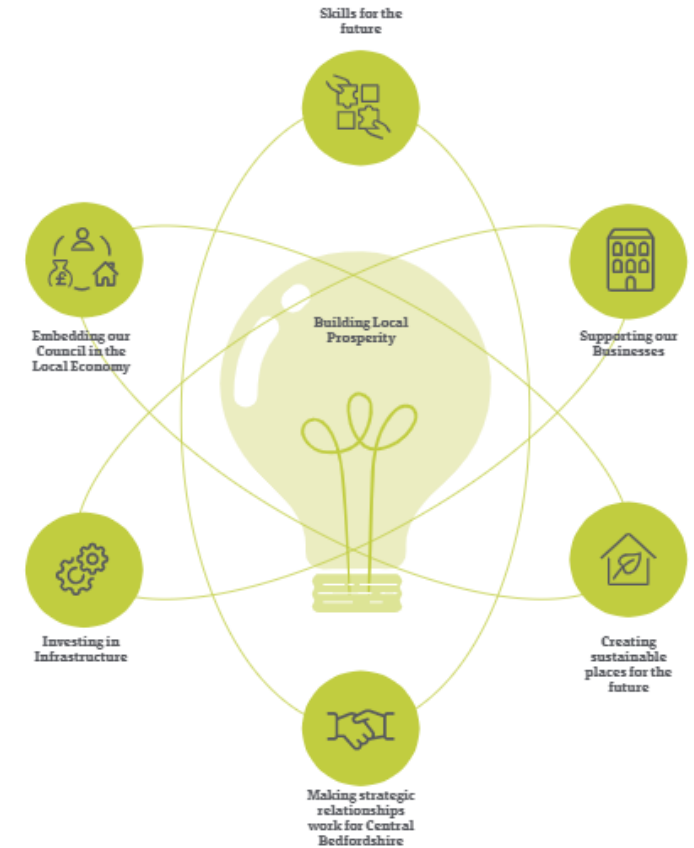


The new Economic Strategy

Building on the Vision, a new **Economic Strategy** has been developed and adopted which identifies six high level themes (opposite).

The Strategy includes various commitments in relation to key sectors:

- Under the theme of *'supporting our businesses'*, the Council will
 - *'refresh our priority sectors'*
 - use the refreshed sectors to inform inward investment activity, and help build relationships with key businesses
- Under the theme of *'making strategic relationships work for Central Bedfordshire'*, it will
 - *'ensure that our priority sectors align with those of the region'*



Central Bedfordshire Economic Strategy themes
www.centralbedfordshire.gov.uk

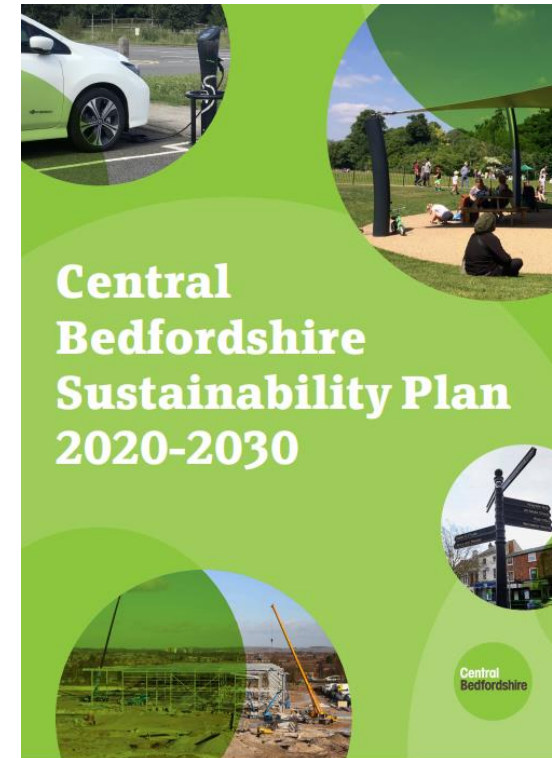
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Delivering the new Sustainability Plan

In parallel, CBC has developed and adopted a **Sustainability Plan** – consistent with its commitment to respond to the climate emergency

This emphasises the role of the Council. It will:

- **Lead** by example – through existing and new buildings
- **Invest** in:
 - renewable energy infrastructure
 - EV charging infrastructure
 - active travel and public transport
 - natural environment and water resilience
 - innovation-led infrastructure
- **Influence** – in order to support sustainable communities, sustainable businesses and youth climate leadership



Scope of this study – and the nature of the evidence base

Within this context, SQW was asked to examine the evidence relating to key sectors in Central Bedfordshire – and to reflect on the area’s opportunities and threats in relation to economic growth.

To this end, we completed five strands of evidence gathering and analysis (including consultations with businesses in Central Bedfordshire). A series of Working Papers has been produced (opposite).

This report draws out the main findings and implications. The detailed evidence is presented separately within the Working Papers.

- **Working Paper 1: BRES analysis**
Sectoral analysis using BRES data – at both aggregated and disaggregated levels
- **Working Paper 2: Review of key literature**
Headline review of the latest available regional and national literature and priority statements (as of Autumn 2020)
- **Working Paper 3: Summary of business consultations**
Findings from consultations with businesses in Central Bedfordshire undertaken in December 2020 and January 2021
- **Working Paper 4: Summary of economic development assets**
High-level review of Central Bedfordshire’s key assets, focussing particularly on Cranfield University and Millbrook*
- **Working Paper 5: Review of local economic development strategies**
Headline review of economic strategies for Central Bedfordshire’s neighbouring areas

** In February 2021, the British group Millbrook and the French group UTAC CERAM merged their operations to become ‘UTAC’*

Section 2:
**The context for Central
Bedfordshire's businesses –
COVID and beyond**

UK economy

Over the last year, the pandemic has precipitated a substantial economic shock across the UK (and globally).

The full effects of this are as yet unknown – and unknowable.

However they provide the context in which Central Bedfordshire Council needs to take a view on its 'key sectors' looking ahead.

Wider context of extreme economic turbulence...

The Bank of England has pointed to a W-shaped recovery and a reasonably rapid 'bounce back' (GDP is projected to reach its 2019 Q4 level by 2022 Q1).

However, it also observes that:

“the outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments”

Source: Bank of England: Monetary Policy Report February 2021

COVID-19

The pandemic has brought many different effects – some will be short-lived, others will endure.

Within Central Bedfordshire, these will present a distinct set of challenges and opportunities. Some sectors will benefit, others will be challenged.

The economic effects of the pandemic

- **Some effects, though severe, are likely to be short-lived:** ‘after’ may not be dissimilar from ‘before’ in terms of:
 - the propensity of people to eat outside the home
 - the desire to travel
- **Some underlying trends and drivers have been accelerated by COVID but not caused by it** – these are likely to be here to stay; important examples include:
 - the restructuring of the retail sector with the shift to on-line (with implications for town centres)
 - the transition to digital service delivery
 - the shift to working from home (for more of the time) in office-based sectors
- **Some effects could be ‘new’ and may be enduring** – although at this stage, we can only speculate. Possible examples include:
 - the desire to relocate from cities, particularly among those aged 30+
 - the commitment to a ‘kinder’ society with more appreciation of key workers
 - the general commitment to addressing the climate emergency

UK Sectors

No post-COVID forecasts currently exist at a local level. At a national scale, KPMG published a short-term sector outlook in November 2020.

It suggested that in 2021, most sectors are likely to see output levels below those recorded pre-pandemic.

[Note that a new set of local forecasts from EEFM will be published later in the year]

Sectors have varying prospects

KPMG's analysis from November 2020 suggests that:

- travel-related sectors are likely to continue to be especially badly affected with significant further decline compared to the picture in 2019
- hospitality-related sectors will also be hit hard:
 - demand from business-related sources will remain low (as substantially fewer meetings are face-to-face)
 - the location of demand will change – away from city centres
- most business and professional service sectors will see lower output than in 2019, although the differences are less dramatic
- retail/wholesale/logistics will be 'steady' overall (although there will be major changes within this group)
- growth (compared to 2019) will be in sectors linked to scientific R&D and pharmaceuticals

Source: New Beginnings, UK Economic Outlook – KPMG, Nov 2020

Unemployment

There is some evidence that Central Bedfordshire has been reasonably resilient.

But looking ahead, Central Bedfordshire will need to encourage employment growth.

Rates will rise as government support is withdrawn...

During the pandemic, government intervention has dampened unemployment – but this is likely to rise as furlough ends.

Forecasts vary, but data from OECD suggest a peak unemployment rate of around 8% in the UK.

This is higher than in Germany (5%) but lower than in France (which is approaching 11%).

Source: OECD, December 2020

UK priorities

The pandemic – alongside the UK's exit from the EU – has dominated the last year, but pre-existing drivers have not 'disappeared' and some have intensified.

Central Bedfordshire's assets and opportunities need to be understood in this context.

The Industrial Strategy identified key drivers...

The UK Industrial Strategy was developed in the context of the UK's very poor productivity performance over recent years.

It identified four Grand Challenges. Although the Industrial Strategy was largely superseded following the March 2021 Budget and the publication of the Plan for Growth, the importance of the Grand Challenges has grown even further through the pandemic:

- **Artificial intelligence and data** – transforming business models, and new sectors in their own right
- **Clean growth** – development, manufacture and use of low carbon technologies, systems and services
- **Future of mobility** – with low carbon, electric and autonomous vehicles, plus wider approaches to sustainable transport
- **Ageing society** – with new demands for technologies, products and services.

Regional priorities

Although pre-pandemic, the South East Midlands LEP published a Local Industrial Strategy in 2019. This was developed in response to the broader drivers and should not be forgotten...

It is likely to be refreshed and revisited as the recovery process unfolds.

...expressed in SEMLEP's Local Industrial Strategy

In SEMLEP's Local Industrial Strategy, the South East Midlands is identified as highly innovative economy with specialisms in high-tech capabilities.

The LIS has a strong focus on the **Future of Mobility grand challenge** – reflecting aerospace and advanced engineering excellence, and through a commitment to pioneering the use of innovative freight technologies and demand-responsive transport.

Its other commitments are more generally stated but still important. They include

- strengthening linkages and networks between innovative businesses
- attracting investment
- investing in workforce skills (particularly those linked to STEM).

Wider agendas

Since the December 2019 General Election, greater emphasis has been attached to 'levelling up' and to delivering the Green Industrial Revolution. These priorities now sit alongside the imperative to *Build Back Better*.

Again, these present both opportunities and threats in relation to Central Bedfordshire.

Build Back Better, levelling-up and the Green Industrial Revolution

Particularly since the general election in December 2019 – and largely in anticipation of a post-Brexit economy – UK government has emphasised new priorities. These were reinforced in *Build Back Better: The Plan for Growth* which was published alongside Budget 2021.

Government has expressed a commitment to 'levelling up' across most policy spheres. For example, the Spending Review (SR20) committed to '*change how the government invests in places to put levelling up at the heart of policy making*'. It also included provision for a substantial Levelling-Up Fund. In parallel, the expectation is that a new Shared Prosperity Fund will be introduced once the European Structural and Investment Plans have completed. In both cases, however, the expectation is that places like Central Bedfordshire will not be major beneficiaries.

SR20 also contained a growing and more consistent commitment to delivering the Green Industrial Revolution. Government's Ten Point Plan includes commitments to: driving the growth of low carbon hydrogen; accelerating the shift to zero emission vehicles; green public transport, cycling and walking; 'jet zero' and green ships; greener buildings; and green finance and innovation.

Section 3: Central Bedfordshire's economic opportunities

Introduction

How we have used the evidence

Our review of evidence suggests that – although it has experienced a significant economic shock – Central Bedfordshire continues to have substantial economic strengths. In time – and with appropriate policy levers – these ought to be capable of spearheading economic recovery.

Some of these strengths, and the opportunities linked to them, relate to individual sectors or clusters. In principle, these could be translated into inward investment propositions. They could also be advanced through sector/cluster-specific action plans and interventions.

Others are defined more broadly. They reflect Central Bedfordshire’s particular economic character and its wider locational assets. In some respects, these are less immediately ‘tangible’ but they are wholly consistent with the manner in which economic life is evolving. The trends which underpin these developments were not caused by the pandemic, but they have been given added impetus and momentum by it.

One view on the future...

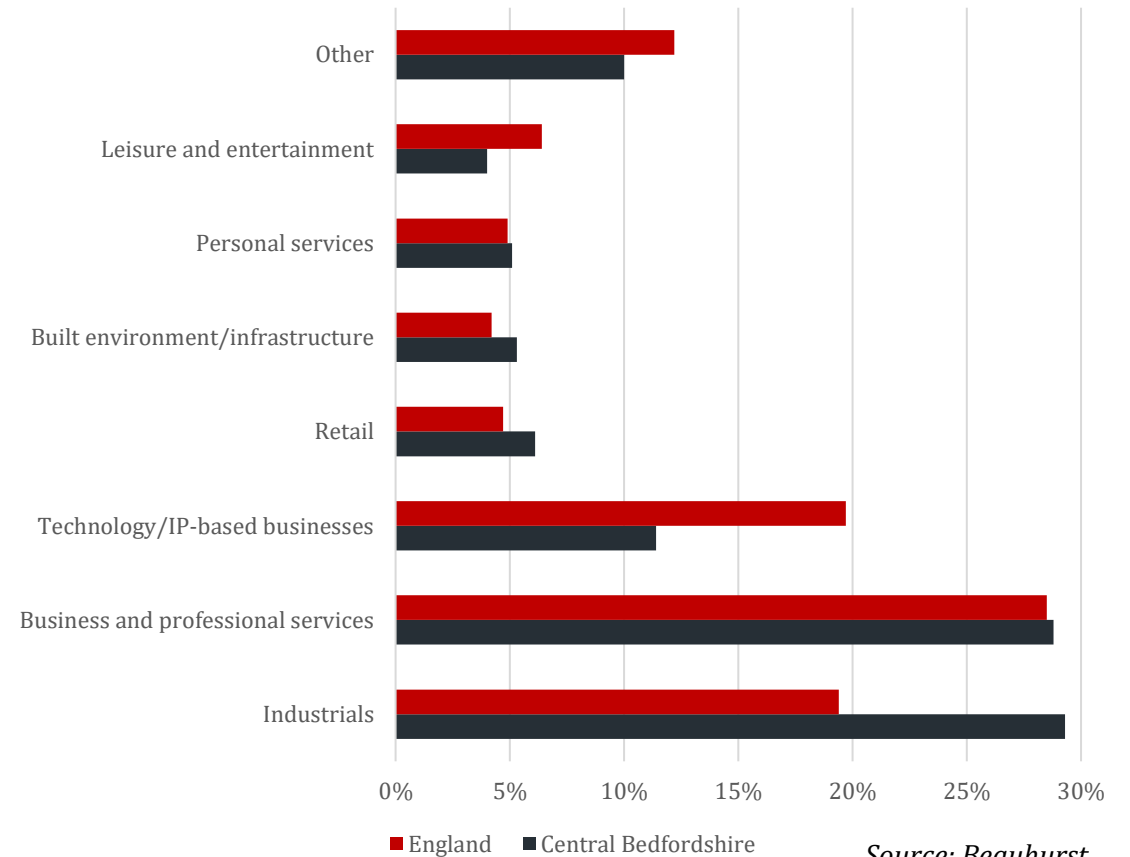
Currently there are no robust local forecasts – and in any case, there is substantial uncertainty (as explained by the Bank of England). BRES data chart past employment but there are issues around data robustness at a local level – so these are no more than a guide.

Beauhurst however has identified over 70 fast growth businesses in Central Bedfordshire. It provides a sectoral breakdown of activities and compares these with the England-wide picture.

These data suggest that:

- Central Bedfordshire has notable strengths in relation to ‘industrials’ – this links to some elements of the high performance technology sector
- Central Bedfordshire matches the national picture in terms of high growth businesses in business and professional services – this may come as a surprise, but it points to the way in which Central Bedfordshire may be changing and it explains why we identify a ‘Central Bedfordshire Enterprise Package’
- Central Bedfordshire performs relatively poorly in tech/IP-based sectors.

Distribution of high growth business activities



Source: Beauhurst

Framing economic growth: Summary SWOT for Central Bedfordshire...

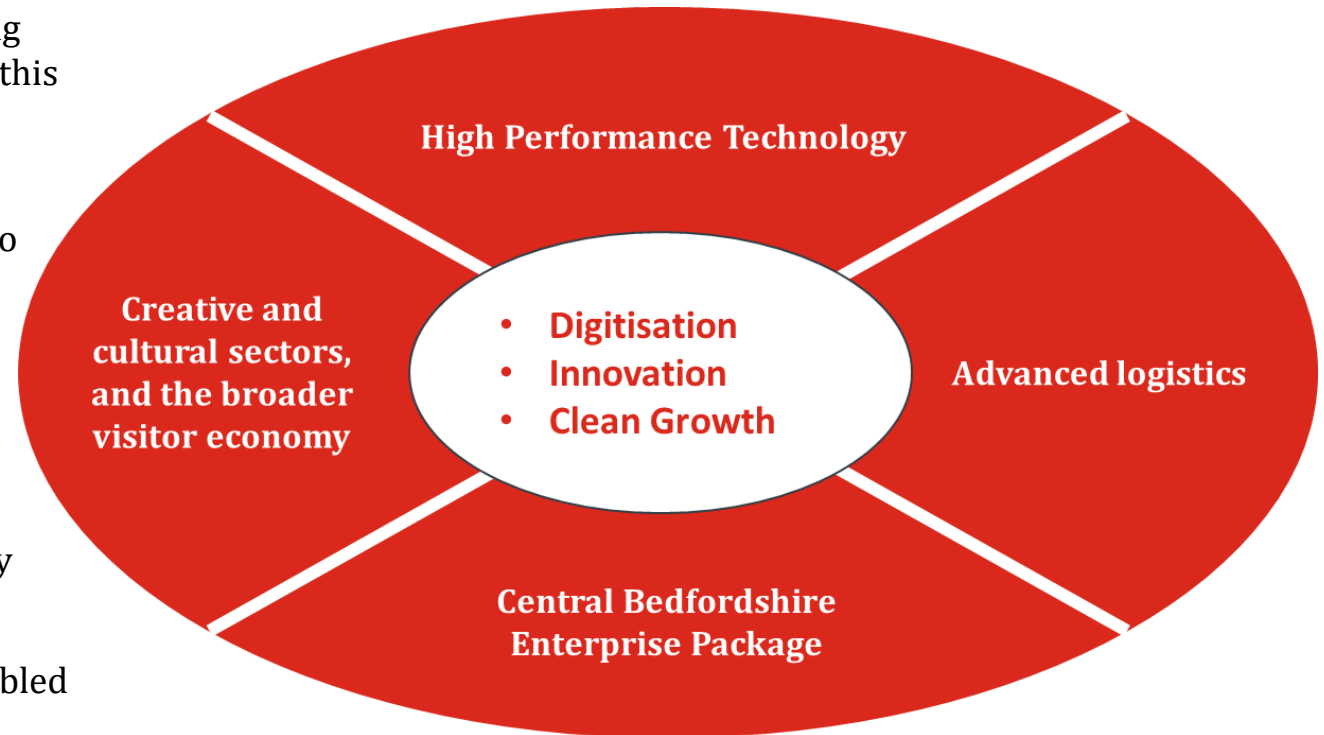
Strengths / Opportunities	Weaknesses / Threats
<ul style="list-style-type: none"> • Fantastic location on the motorway network with good connectivity to London and the Midlands • Relatively low cost (given access to London) • World class technological base – particularly in advanced engineering – with links to national research and innovation priorities • Skills base that has the benefits of both the south and the Midlands – Central Bedfordshire is a place for ‘designing things’ and ‘making things’ • High quality of life and favourable natural environment • Innovative and high profile businesses, including in sectors like logistics • Proactive local authority at the heart of the Oxford-Cambridge Arc – and a commitment to physical provision for employment growth, alongside housing growth • In economic terms, Central Bedfordshire has been reasonably resilient in the face of the pandemic 	<ul style="list-style-type: none"> • Fragmented economy and levels of clustering within key supply chains currently appears limited – which means that levels of embeddedness may be modest • Growth of logistics is seen as very double-edged – although there are further opportunities in this domain • Anchor institutions are less locally focused than elsewhere which may limit the extent of local spill-overs, including in terms of the flow of graduates • Visitor economy is dominated by a few large attractions which are stand-alone in character and separate from a wider ‘place offering’ • Lack of a central city or town means further fragmentation and a lack of critical mass (in relation, for example, to key services) • Broadband infrastructure is not as strong as elsewhere – which could become problematic • Central Bedfordshire is buffeted by the performance of other places – notably Milton Keynes and Luton

‘Supporting our businesses’: proposed areas on which to focus

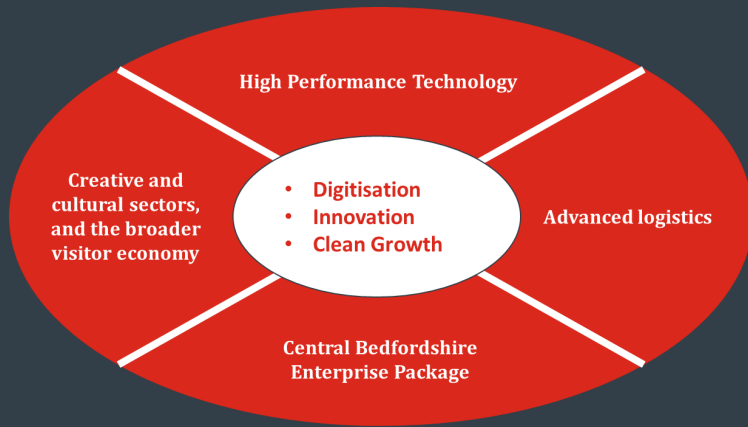
Central Bedfordshire’s Economic Strategy commits to ‘supporting our businesses’ and it seeks greater sectoral expression of what this means.

Evidence suggests that Central Bedfordshire’s principal opportunities are underpinned by a cross-cutting commitment to digitisation, innovation and clean growth within:

- high performance technology sectors
- advanced logistics activities
- creative and cultural sectors – linking particularly to Central Bedfordshire’s town centres, and its broader visitor economy
- ‘a Central Bedfordshire enterprise package’ – focusing on processes of enterprise and changing working practices, enabled by technology, with particular reference to professional and business services.



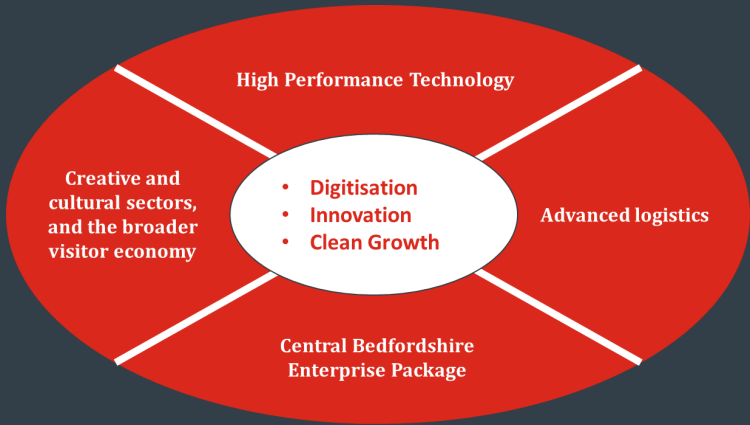
Cross-cutting themes



Three critical themes: 1 – Digitisation

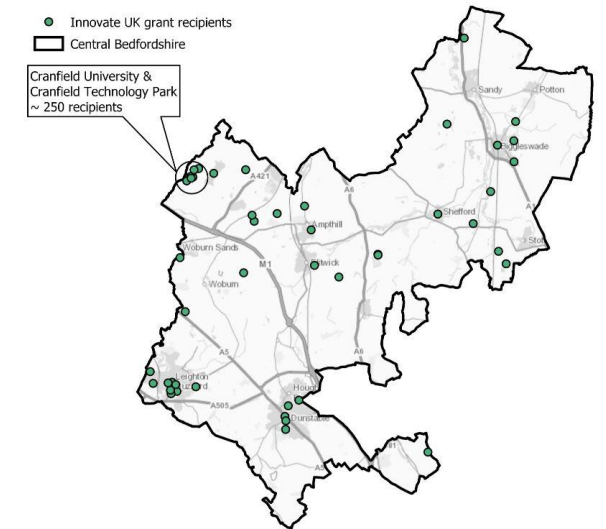
- The ‘fourth industrial revolution’ is redefining business models across the board
- There is much evidence to suggest it is critical for productivity enhancements – but it needs to be used well
- Within Central Bedfordshire, digital infrastructures are less good than elsewhere: 14% of premises have Full Fibre To Premises (compared to 85% in Milton Keynes) (Source: thinkbroadband.com, January 2021)
- Currently, the IT sector within Central Bedfordshire is *relatively* small – certainly when compared to neighbouring areas – and high growth IT/tech-based businesses are under-represented
- Digital skills are also critical across all sectors and at all levels – from basic digital literacy to advanced data science
- *Digitisation is critical in relation to the sectors identified and the wider Central Bedfordshire Enterprise Package*

Cross-cutting themes

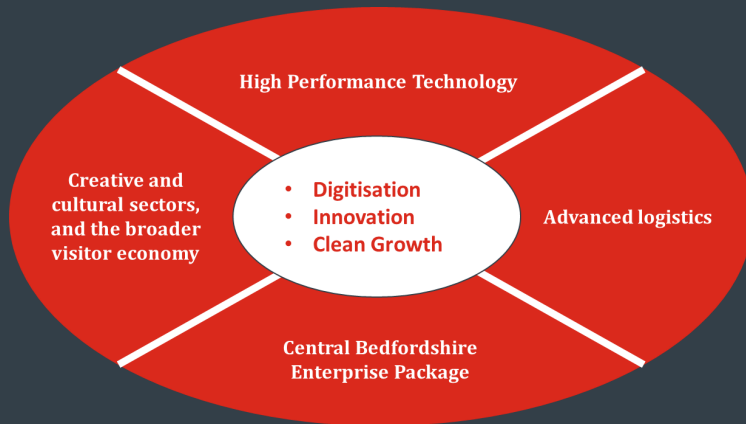


Three critical themes: 2 – Innovation

- Innovation is centrally important for resilient economies
- Within Central Bedfordshire, there are companies engaging in innovation – but other than around Cranfield University, these are thinly spread
- The innovation ecosystem is underdeveloped – partly because of Central Bedfordshire’s settlement structure (and the absence of a major town/city) and partly because of the distinctive character of Cranfield University (with an emphasis on post grad students and industry-funded research)
- There are real potential opportunities linked to the Oxford-Cambridge Arc, but these need to be galvanised
- *Innovation is critical in relation to the sectors identified and the Central Bedfordshire Enterprise Package*



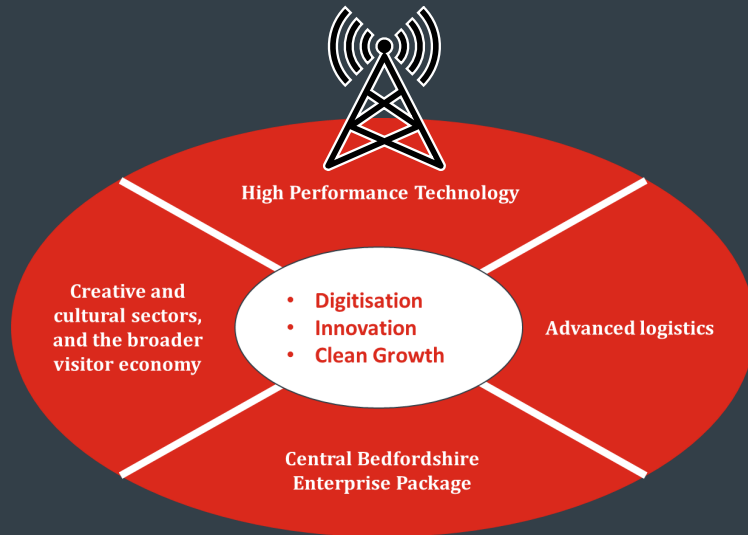
Cross-cutting themes



Three critical themes: 3 – Clean Growth

- There are strong links between clean growth and high performance technology – and it can therefore be seen as both ‘horizontal’ and ‘vertical’
- There are emerging opportunities linked to every sector – in terms of reducing carbon footprints and increasing energy efficiency
- There is a clear and strong read-across to the Green Industrial Revolution. This has a strong knowledge element and it ought to complement Central Bedfordshire’s major knowledge-based assets
- *Clean Growth is an overarching priority of UK government and it is increasingly prominent within Central Bedfordshire Council’s own stated ambitions – as set out in its recently completed Sustainability Plan. It is critical in relation to the sectors identified and the Central Bedfordshire Enterprise Package*

High Performance Technology

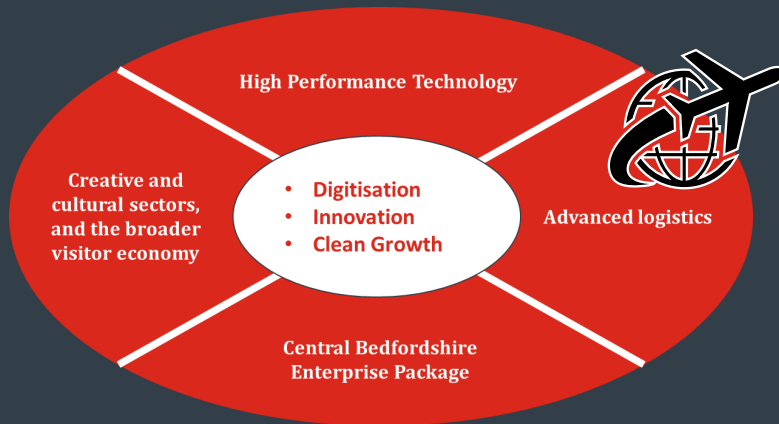


...strong assets, rich heritage, future potential

- Cranfield University, with its Technology Park and innovation provision, has real pedigree. It is a major focus for specialist research in High Performance Technology, particularly that sponsored by industry
- Historically the focus has been on aerospace, but this has broadened into a host of HPT applications – with links to automotive, motorsport, materials, energy, agri-tech, etc.
- Nationally the commitment is to invest 2.4% of GDP in R&D and this ought to benefit Central Bedfordshire – particularly through the lens of the Green Industrial Revolution which ought to fit with HPT strengths
- UTAC* is also both a key infrastructure and it should be a catalyst for further growth
- There are major established companies in Central Bedfordshire – like Lockheed Martin and MBDA – but also many smaller ones. Whilst some firms have seen job cuts, others have been able to grow, particularly as they have ‘pivoted’ their expertise. However the level of networking within Central Bedfordshire appears quite limited, and this could present opportunities, particularly if Cranfield grows as an anchor institution
- Central Bedfordshire benefits from a good mix of workforce skills, signalling its links into the Midlands, the south east and across the Oxford-Cambridge Arc; loss of aerospace-related jobs in Luton may mean that more skilled people are available to local employers
- The possible relocation of Marshall Aerospace and Defence Group from Cambridge, following an option agreement with Cranfield University, should present further opportunities

* In February 2021, the British group Millbrook and the French group UTAC CERAM merged their operations to become ‘UTAC’

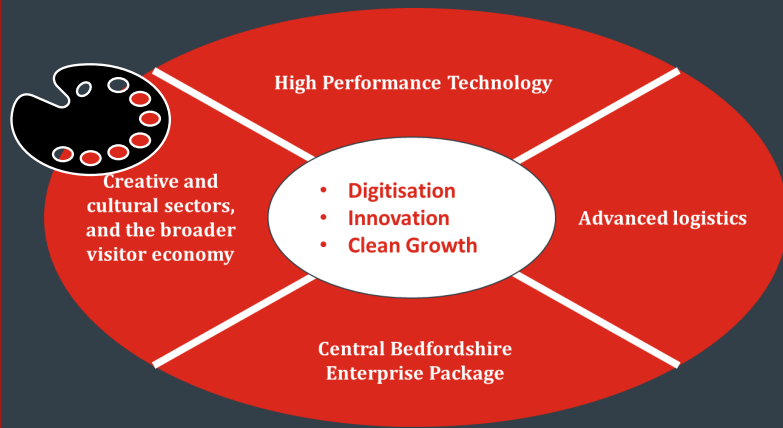
Advanced logistics



...assets and demand – although some issues too

- Central Bedfordshire is very well located for logistics – two motorway corridors and good access to both London and the Midlands
- There has been substantial investment in logistics, and the sector as a whole has proved to be resilient during the pandemic; with changes to retail (accentuated but not caused by the pandemic), its prospects appear to be sound
- There are local concerns with regard to the sector’s continuing prominence:
 - logistics is increasingly sophisticated and automated – meaning that employment may decline even as the sector grows in scale and importance
 - logistics operations are also ‘space hungry’, often with a need for major sites
- However Central Bedfordshire continues to have many strengths and it will attract investment – if sites can be found
- In the short-medium term, logistics will provide entry level jobs that might be in short supply elsewhere – so it has a contribution to make
- There is scope for substantial innovation (and the Future of Mobility Grand Challenge continues to be relevant): Central Bedfordshire could be at the heart of this

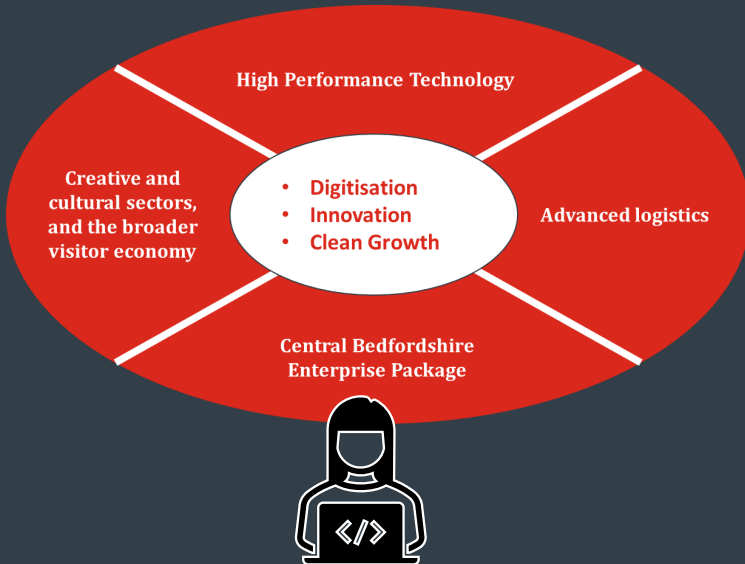
Creative and cultural sectors, and VE



...a sector with post-pandemic potential

- Central Bedfordshire has a disparate visitor economy – with some large attractions and many smaller ones, but they are largely ‘disconnected’ from each other; they have been very badly affected by the pandemic
- Looking ahead, the function of the visitor economy (broadly defined) may need to change – away from traditional ‘tourists’ and towards ‘the experience of place’ which is enjoyed and valued as much by residents (many of whom will spend more time working from home) as by visitors
- Within this context, there is a need for a broader creative and cultural sector offer, bridging the gap between the formal ‘visitor economy’ and the raft of activities that might contribute meaningfully to ‘place shaping’, particularly in town centres; within this, social enterprise could well have a role to play
- These sectors bring with them concerns about the quality of jobs and also issues around seasonality; but they offer the prospect of entry level jobs and a wider function in relation to place shaping

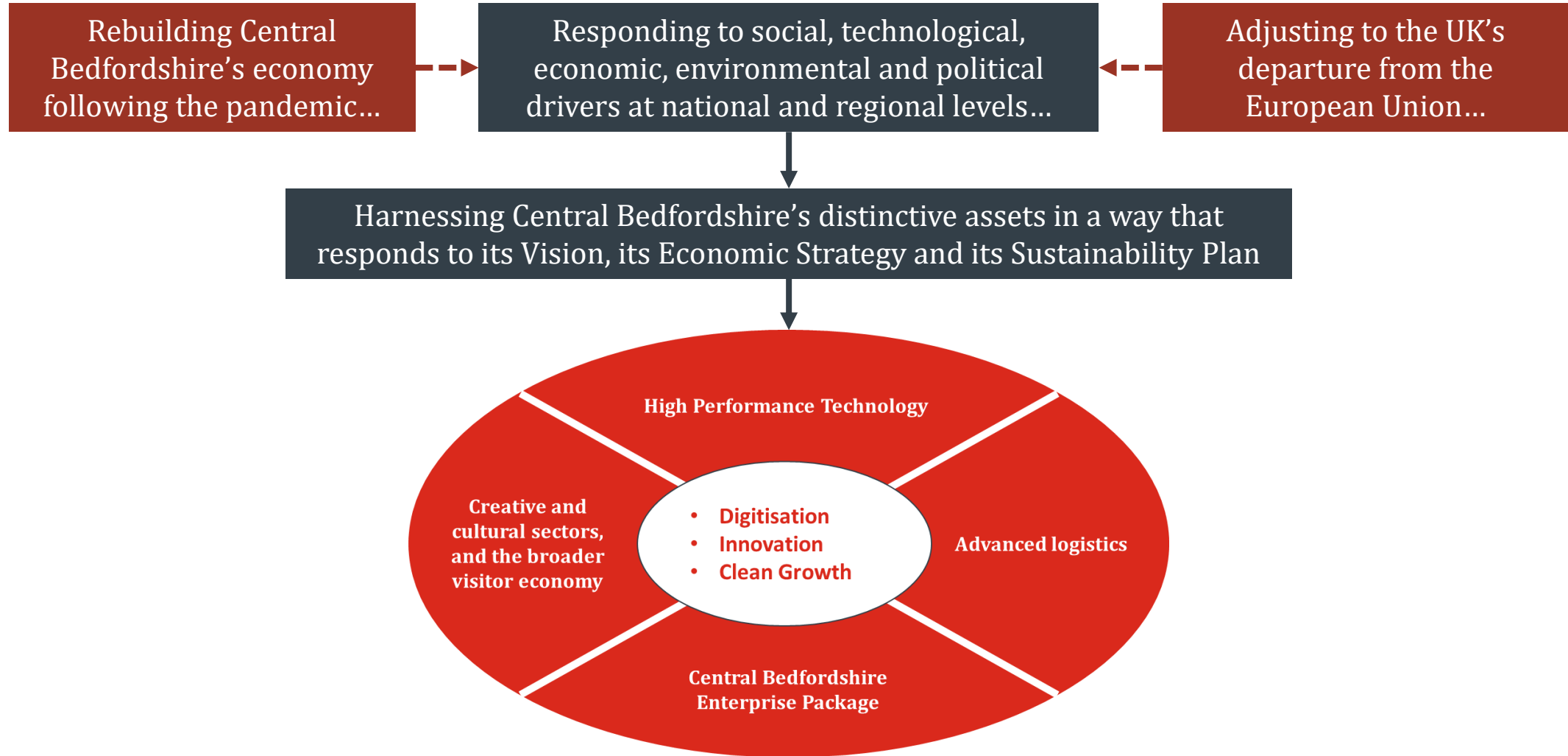
Enterprise Package



...‘selling Central Bedfordshire’

- A consistent finding from business consultations was the importance of the Central Bedfordshire ‘package’ – which means good access to London (especially) and the Midlands and a high quality of life locally
- This combination is of value across a wide range of sectors but it appears to be a growing attraction particularly in relation to business and professional services
- This sector was growing pre-pandemic; and Beauhurst data suggest that among high growth businesses, this sector is well represented
- With changes to patterns of living and working given greater expression through the pandemic – and likely to continue after it – this presents a real opportunity for Central Bedfordshire
- There is scope to develop a wider ‘Central Bedfordshire Enterprise Package’ which will require a good and supportive environment for the growth of small businesses

Summary: proposed areas on which to build prosperity in Central Bedfordshire



Research, analysis and advice

SQW

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