

INVITATION TO QUOTE FOR

Buckinghamshire Productivity Review

Issued by:

Buckinghamshire Local Enterprise Partnership

Date:

Contact:

Caroline Hargrave

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INSTRUCTIONS

1 Introduction

- 1.1 This invitation is issued by Buckinghamshire Local Enterprise Partnership Ltd (Companies House No. 11912208), registered at Westcott Business Incubation Centre, Westcott Venture Park, Westcott, Aylesbury, HP18 ONX
- 1.2 The lead for the procurement is Caroline Hargrave, Research Manager, Buckinghamshire Local Enterprise Partnership, caroline.hargave@buckslep.co.uk or 07908 895227.

2 Submission of Quotes

- 2.1 Please submit your quote via email to caroline.hargrave@buckslep.co.uk no later than noon on
- 2.2 We expect to select our preferred bidder during the week commencing 2024, but ask that quotes will remain open for acceptance for a minimum of 90 calendar days.
- 2.3 The confirmation of contract award will follow the project initiation meeting with Buckinghamshire LEP to be held in February 2024

3 Form of Quote

- 3.1 In preparing your quote, we ask you to provide:
- A method statement.
 - A pricing schedule (including day rates).
 - CVs of key staff who will work on the project.
 - Details of two referees who can attest to the quality of similar work you have undertaken.
- 3.2 The method statement should include a description of the steps you would take to undertake the review.
- 3.3 The provision of references will require you to submit a description of similar work you have done for others, together with the name and contact details of the client. We will approach the referees you name and ask them to verify the claims you have made.

4 Financial Arrangements

- 4.1 This is a single contract for consultancy services and does not preclude existing or future contracts with Buckinghamshire LEP for other consultancy services.
- 4.2 All prices exclude VAT and include travelling and subsistence expenses and all other disbursements.

4.3 Payment will be 50% on completion of mid-way milestones, and 50% on completion of project.

5 Timetable

	Event	Date
1	Invitation to Quote issued	January 2024
2	Return of submissions	TBC
3	Selection of preferred bidder	TBC
4	Project Initiation Meeting	TBC
5	Project end date	TBC

6 Contract Documents

6.1 The project contract document will be based on Buckinghamshire LEP's standard Consultancy Agreement

SPECIFICATION

1 Aims and objectives

- 1.1 Buckinghamshire LEP wish to commission a review of productivity in Buckinghamshire to help inform future local economic strategy and policy development.

2 Project details

- 2.1 The review will:

- Build upon Buckinghamshire LEP's evidence base by filling gaps in our understanding of Buckinghamshire's productivity challenges and opportunities.
- Make recommendations regarding where Buckinghamshire should prioritise investment to maximise future productivity growth. Including how we best leverage our institutional assets.
- Recommend a framework for designing effective local policies to stimulate productivity growth.

- 2.2 In terms of evidence gaps, we'd like the review to answer the following questions:

- To what extent does owner-occupied imputed rent inflate Buckinghamshire's productivity levels and should this be excluded when making comparisons with other areas?
- How does productivity at a sector-level within Buckinghamshire compare with the national average / other areas?
- What drove the surge in service exports from Buckinghamshire in 2021?
- Which local economies (that are similar to Buckinghamshire's) have experienced stronger growth over the last decade and what are the likely reasons why?
- What is the best way to measure Buckinghamshire's relative performance on productivity? (e.g. comparison with neighbouring areas, comparison with England and or South-East mean or median, comparison with other 'edge of capital city' areas, comparison with similar areas in terms of rurality / SME dominance)

- What is the best way of measuring levels of R&D, the quality of firm management and leadership, and other intangible assets at a local level?
- How much weight should be given to the ONS [experimental gross fixed capital formation \(GFCF\) estimates by asset type](#) dataset when seeking to understand local productivity performance?
- What impact Bucks LEP has had on local productivity, including agglomeration impact through investment in cluster development?
- At what stage of maturity are Buckinghamshire's strategic growth sectors and clusters and what we can expect in terms of their productivity growth in the future?

3 Outputs

3.1 We require the following outputs from the project:

- A summary report (which is accessible to a non-technical audience)
- A full report
- A presentation to the Buckinghamshire LEP Board and the Buckinghamshire Place Based Growth Board

4 Supporting information

4.1 A paper on productivity in Buckinghamshire (which outlines the reasons for commissioning this review) was presented to the Buckinghamshire Growth Board on 4th December 2023 and to the Buckinghamshire LEP Board on 15th December 2023. This paper can be found in Annex 1.

4.2 Key supporting documents are:

- The Buckinghamshire Economy 2023 (Evidence Base) – forthcoming
- [Buckinghamshire's Local Industrial Strategy](#)
- [Buckinghamshire's Economic Recovery Plan](#)
- [Buckinghamshire's Local Skills Report](#)
- [Buckinghamshire's Digital Innovation Plan](#)

4.3 Additional analysis can be found on the Buckinghamshire Economic Intelligence Observatory website.

4.4 From April 2023, the functions of Buckinghamshire Local Enterprise Partnership will be integrated into Buckinghamshire Council.

4.5 The [Buckinghamshire Growth Board](#) facilitates the development of Buckinghamshire's strategic place-based initiatives.

5 Budget

5.1 The budget for this project is £20,000 (including VAT)

6 Timescales

6.1 The deadline for completion of the project is TBC.

Quote

1. I have examined the Invitation to Quote and offer to undertake the services required in accordance with the bid documents for prices detailed below.

Insert pricing schedule here

2. All prices exclude VAT and include travelling and subsistence expenses and all other disbursements.
3. I understand that Buckinghamshire Local Enterprise Partnership is not bound to accept any quote received. This quote remains open for acceptance for 90 days from the return date fixed in the Invitation to Quote.
4. I certify that my company has taken out or will hold Professional Indemnity Insurance for a minimum level of £0.5 million (for each and every claim) on or prior to the Commencement Date.
5. I understand that Buckinghamshire LEP may be subject to the requirements of the Freedom of Information Act 2000. The schedule of reserved information below is my company’s request for information contained in this quote not to be released for reasons which are allowed in the Act.

Reserved Information	When available for disclosure	Relevant Section of Act	Reason
Response to the Invitation to Quote	After award of Contract	Section 43(2)	Commercial confidentiality
<i>Please add as necessary</i>			

6. I have included a Method Statement setting out my organisation’s understanding of your requirements and the general approach we would take to meeting the specification.

Method Statement
<i>Please describe the methodology you would use to undertake this project.</i>
<i>Please provide a project plan and a project risk assessment</i>

7. I have included short CVs of the key personnel I intend to deploy in delivering the services required.

8. I have included details of clients for whom my company has provided similar services together with contact details for referees who can be approached to verify the claims made.

Referee 1	
Contact name, company, phone number, email and project name	
Description of the services supplied	
Referee 2	
Contact name, company, phone number, email and project name	
Description of the services supplied	

9. I have attached my organisations standard terms and conditions which will form the basis of the contract with Buckinghamshire LEP.

Name.....

Position.....

Company.....

Date.....

Annex

Report for the Buckinghamshire Growth Board

Date	4 December 2023
Title	Buckinghamshire's productivity performance
Contact officer	Caroline Hargrave
Purpose of report	<ol style="list-style-type: none"> 1. To provide the board with the latest evidence on the performance of the local economy 2. To seek the Growth Board's input on outline plans to commission research to fill evidence gaps to help inform future policy decisions.

1. Background

Purpose of report

At the September meeting of the Growth Board, members requested information on Buckinghamshire’s productivity position and the reasons for relatively slow productivity growth during the early years of the last decade.

This report provides board members with the latest evidence and outlines areas for consideration when developing local policies to accelerate productivity growth. It also sets out plans to commission research to fill evidence gaps to help inform decision making.

What is productivity and why does it matter?

Productivity is the single most important determinant of a country’s living standards.

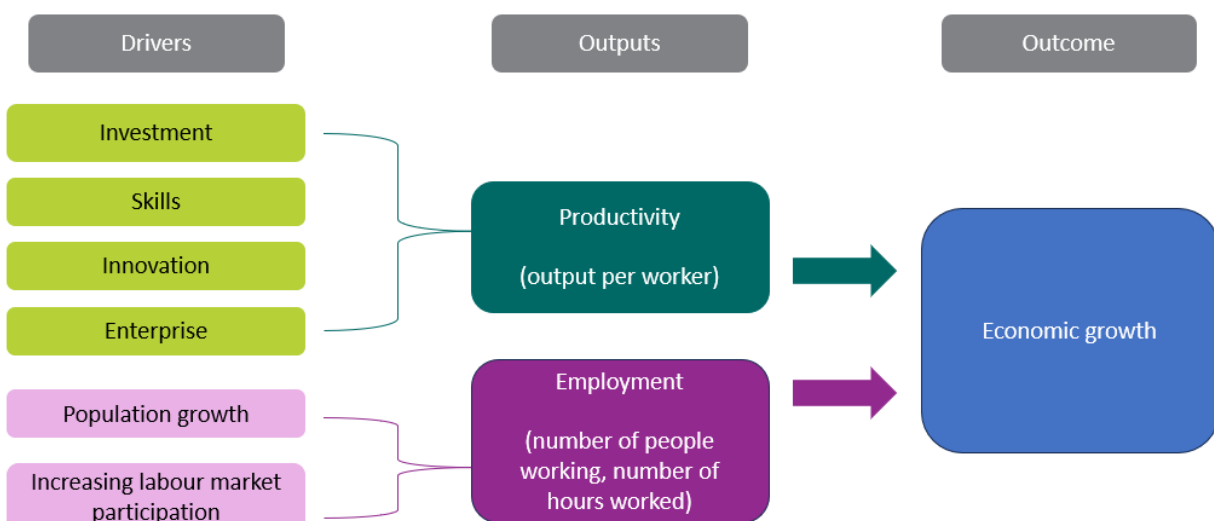
“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

Paul Krugman, The Age of Diminishing Expectations (1994)

Productivity measures how efficiently inputs (e.g. labour, skills, physical capital and intangible capital) are converted into outputs (goods and services). At a sub-regional level, productivity is measured by dividing economic output (Gross Value Added – GVA) by the number of hours worked by those working within the geographic area in question.

Economic growth can be achieved by either increasing productivity or increasing employment (see figure 1).

Figure 1. Drivers of economic growth



In developed economies with high levels of employment, raising productivity will be the most effective and sustainable way of achieving economic growth. Simply adding more workers without improvements in productivity may not lead to long-term economic growth and can put a strain on resources and infrastructure, which can be particularly problematic in rural areas.

Therefore, focusing on raising productivity, rather than purely on raising employment, will be the most effective route to growing the Buckinghamshire economy.

For further details about what productivity is and why it matters please see the [Understanding Productivity](#) blog by the What Works Centre for Local Economic Growth.

UK productivity

The UK has experienced slow productivity growth in recent years, largely due to economic shocks (the 2007/2008 Global Financial Crisis and the Covid-19 pandemic) and political uncertainty - at home (Brexit) and abroad (Russia / Ukraine conflict) which have led to low levels of public and private sector investment.

Despite this slow growth, employment rates have remained relatively high and unemployment relatively low. The biggest impact to individuals therefore has been weak wage growth.

Measuring productivity

The Office for National Statistics (ONS) publish sub-regional estimates of labour productivity on an annual basis. Three things to bear in mind with the data are:

1. It is subject to **on-going methodological revisions**. These revisions can be big. For example, revisions adopted in 2018 resulted in Buckinghamshire's productivity performance being significantly downgraded. Future revisions to the currently published 2020 and 2021 data could be significant due to continuous improvements to the estimates of what happened to the economy during the Covid-19 pandemic.
2. A handful of areas of the country have very high levels of productivity (in particular London and Berkshire) and therefore skew the national and regional (South East) averages. Hence why of the 38 Local Enterprise Partnership (LEP) areas, only eight have productivity levels above the national average.
3. A quirk in the way productivity data is calculated (the inclusion of estimates of the value of home ownership) artificially inflates Buckinghamshire's productivity figures to a greater extent than in many other parts of the country.

Stimulating productivity growth at a local level

There are limited policy levers at a local level to significantly affect local economic performance and growth. National policy and national and international factors have the greatest impact. Constraints on local policy levers include: regulation, funding and political appetite.

Improving productivity at the local level is also complex and requires a multidimensional approachⁱ. It requires a deep understanding of local performance on the key drivers of productivity (investment, skills, innovation and enterprise), along with knowledge of the wider local economic and policy context. To achieve strong productivity growth, good performance is required in relation to most of the drivers of productivity.

Policy design, and a major consideration for this Growth Board, must also take into account constraints, trade-offs, the potential scale of impact and timescales. For example:

- Improving productivity through investment in machinery or technology (e.g. AI or robotics) could lead to firms cutting jobs.
- Decisions to refuse planning permission for businesses wishing to expand or move to the area on the basis of existing policy, for example the protection of the Green Belt, or change of use criteria, in accord with the views of many residents, could hamper economic growth.
- Investment in innovation is proven to boost productivity in the long-term but returns on such investment take a longer time to be realised.

2. What we know (or think we know)

Buckinghamshire's productivity performance

Current position

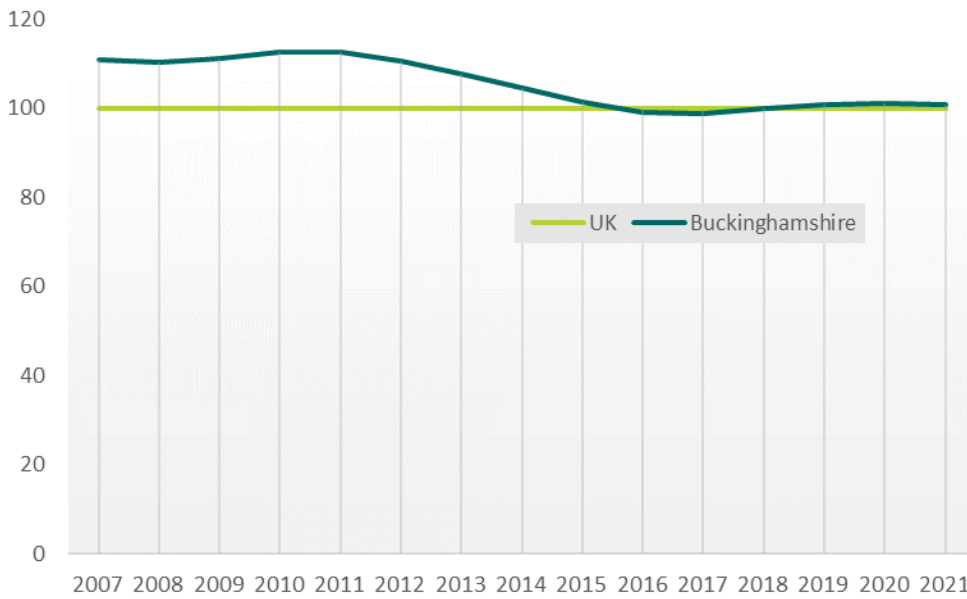
In absolute terms, Buckinghamshire has a slightly more productive economy than the national average and most other Local Enterprise Partnership (LEP) areas (ranked 7th of the 38 LEP areas in 2021). However, Buckinghamshire has slower productivity growth than the UK average, and has lower productivity levels and slower growth than the South East average.

In terms of the main drivers of productivity (which will be discussed in more detail in the next section), generally speaking, Buckinghamshire performs relatively well on drivers that relate to the resident population (e.g. the skills and labour market participation of residents) and less well on drivers that relate to the economy (infrastructure, investment and business performance).

Performance over time

From a relatively strong position between 2007 and 2011, Buckinghamshire's economy experienced slower than UK-average productivity growth between 2011/12 and 2016, before stabilising in more recent years, with productivity rates (GVA per hour worked) being in line with the UK average ever since (charts 1 and 2).

Chart 1: Buckinghamshire’s productivity versus the UK average (UK=100), 2007 to 2021



Source: [ONS, 2023](#)

Chart 2: Average annual growth in productivity for 5-year periods – Buckinghamshire, surrounding LEP areas and the UK average



Source: [ONS, 2023](#)

Over the last 5-year period (2017-2021), the Buckinghamshire economy performed less well than neighbouring Berkshire and Oxfordshire in terms of productivity growth, but more strongly than Hertfordshire and the South East Midlands LEP area.

In ranking terms, Buckinghamshire had the fifth highest productivity rate of all 38 LEP areas between 2007 and 2011, falling to 10th position by 2016 before rising back up to 7th position in 2020 and 2021.

Potential reasons for Buckinghamshire's slow productivity growth

Some industries are more productive than others. High productivity industries include: financial and insurance; energy & utilities; information & communication; and manufacturing, whilst low productivity industries include: hospitality; admin & support activities; and arts, entertainment & recreation.

Tradable sectorsⁱⁱ (i.e. those producing goods and services that can be traded over long distances) are around 14 percent more productive than non-tradable sectors (i.e. trade is limited by the need for production and consumption to take place in the same location)ⁱⁱⁱ. At a local level, the mix of industries, or, in some cases, the presence of a very large company operating in a very productive industry, can influence overall levels of productivity.

In terms of industry mix, analysis undertaken by Buckinghamshire LEP in 2020^{iv} found that Buckinghamshire experienced greater growth in low productivity sectors than high ones for much of the last decade. Low productivity sectors that experienced high growth during this period included hospitality and business admin and support (particularly the cleaning of buildings). Whilst the high productivity sectors of finance and information and communication experienced slower than UK-average growth. This will undoubtedly have been a factor in Buckinghamshire's slow overall growth in productivity.

In addition to the industry in which a firm is operating, the following types of firms tend to be more productive:

- Those involved in Foreign Direct Investment (FDI) (either attracting investment from overseas corporations or undertaking investment overseas)
- Foreign owned firms
- Those that export
- Those with strong management practices
- Those that invest in R&D
- Those who invest in physical capital (e.g. machinery, computer hardware), intangible capital (e.g. R&D) and human capital (e.g. the skills of the workforce)

Some of these factors are inter-dependent. For example, foreign owned firms tend to have stronger management practices than UK-owned firms.

Firm-level productivity is also impacted by the location in which firms operate. Location factors include: local labour markets, infrastructure (transport and digital), distance to markets, levels of firm competition, agglomeration benefits, consumer tastes and local spending power.

An initial review of empirical evidence, along with discussions with those familiar with the local economy 'on-the-ground' has identified a range of potential reasons for Buckinghamshire's weak productivity growth, particularly during the period 2011/12 to 2016. These, along with other possible reasons but for which we currently lack evidence are listed in table 1 below.

Table 1. Potential reasons for slow productivity growth in Buckinghamshire (particularly during the period 2011/12 to 2016)

Suggested reasons for slow productivity growth		
Driver of productivity	Evidence available	Evidence gap
Investment	<ul style="list-style-type: none"> • Poor digital and transport connectivity, largely due to the county's rural nature. • Low levels of investment in physical (e.g. buildings) and intangible (e.g. R&D) capital.^v • Limited creation of commercial floorspace^{vi} (see Annex 1). • A high proportion of the county designated as green belt (thus limiting development opportunities).^{vii} • Low levels of housebuilding across much of the county prior to 2017^{viii}.^{ix} 	<ul style="list-style-type: none"> • Impact of planning decisions • Digital connectivity improvements due to Council/LEP investment
Skills	<ul style="list-style-type: none"> • Weak utilisation of high-level skills of residents - London being a magnet for Buckinghamshire's highly qualified workers.^x • Lower than national average levels of training by employers.^{xi} • Mismatch between the skills of residents and the skills required of local employers^{xii}. 	<ul style="list-style-type: none"> • Levels of continuous professional development
Innovation	<ul style="list-style-type: none"> • Few locations within the county offering agglomeration benefits. I.e cluster developments that provide opportunities for knowledge exchange and cross-sector collaboration. 	<ul style="list-style-type: none"> • Levels of R&D
Enterprise	<ul style="list-style-type: none"> • Shifts in industry mix (low productivity sectors growing at a greater pace than high productivity sectors). • Relatively few new foreign-owned firms establishing in the county.^{xiii} • The loss of some high growth / highly productive firms from the county. • The loss of some large firms from the Buckinghamshire economy in the 1990s and 2000s which had knock-on implications for supply chains. • Low levels of bank lending to Small and Medium-sized Enterprises (SMEs) post the 2007/08 financial crisis (which may have disproportionately affected Buckinghamshire as it has a higher-than-average proportion of SMEs within the local business population). 	<ul style="list-style-type: none"> • Growth of tradable versus non-tradable sectors • Quality of management practices • Levels of firm competition • Levels of Foreign-Direct Investment (FDI) • Levels of export activity • Proportion of young firms

7 Drivers of productivity – current strengths and opportunities

Whilst the table above highlights some of Buckinghamshire’s past and present productivity challenges, the table below sets out a selection of strengths and opportunities that could be built on to boost productivity in future years.

Table 2: Drivers of productivity, strengths and opportunities

Driver of productivity	Strengths and opportunities
Investment	<ul style="list-style-type: none"> • LEP investment in infrastructure over the last decade unlocking development opportunities. • Improved digital connectivity. • Funds allocated to Buckinghamshire that could be used to improve productivity. • Further funding that could be brought into the county. • Regeneration Strategy. • Digital Infrastructure Strategy • Proposed Pooled Investment Fund
Skills	<ul style="list-style-type: none"> • LEP investment in skills over the last decade helping to better align the skills of residents with the skill needs of the economy. • Highly skilled resident base. • A strong collaborative culture (between education institutions, and between employers and educators). • Funds allocated to Buckinghamshire that could be used to improve productivity. • Further funding that could be brought into the county. • Skills Strategy. • Local Skills Improvement Plan & Funding
Innovation	<ul style="list-style-type: none"> • LEP investment in innovation over the last decade growing Buckinghamshire’s high productivity strategic growth sectors and clusters (high performance engineering, space, creative and medtech) • Enterprise Zone activity • Clusters of innovation-focused firms • Funding brought into the county. • Further funding that could be brought into the county. • Local Industrial Strategy • Digital Innovation Strategy • Net Zero & Green Innovation
Enterprise	<ul style="list-style-type: none"> • Investment in business support activity over the last decade (delivered by BBF) • High business survival rates • Relatively high numbers of high growth firms • Strengths in some high productivity sectors • High levels of service export activity. • Funding brought into the county.

3. Deepening our understanding

To strengthen our evidence base and guide local strategy, Buckinghamshire LEP are commissioning research to fill gaps in our understanding of the county’s productivity challenges and opportunities, and identify the local policies and projects most likely to lead to stronger productivity growth in the future.

4. How the research could be used by the Growth Board and sub-boards

The research will provide a comprehensive and up-to-date evidence base to help guide local policy decisions.

It will provide an assessment of the local policy options available, identify projects that are currently being delivered (e.g. those related to business support, skills interventions and innovation support) and will set out the extent to which different policies and projects are likely to move the dial on productivity.

It will also produce a framework that could be used to help design effective local policies to stimulate productivity growth. Early thinking about what this might cover is provided in table 3.

Table 3: Issues to consider when designing effective local policies to stimulate productivity growth

Questions	Worked example: Access to finance
What does the evidence say?	A lack of access to finance is a barrier to SME growth
Is this a supply or demand side issue?	Are difficulties in accessing finance due to bad projects, poor business plans, tough local economic conditions (a demand side problem) or credit constraints which stop firms with good projects from borrowing (a supply side problem).
What is the market failure?	Information deficiencies - banks may choose not to lend to businesses operating in ‘new’ sectors as they do not have information to assess their business models.
What are the local policy options and how could policy be delivered?	Could a new local finance initiative be developed? How feasible would this be? Is access to finance best addressed at a national or regional level? What has worked in other parts of the country?
What are the policy constraints?	Regulation, funding, political appetite.
What might be the trade-offs or unintended consequences?	Crowding out of the private sector, some firms provided with finance will fail.
What could be the scale of impact? And over what period?	100 firms could be supported to grow in high productivity sectors. In 5 years’ time they could provide 200 additional highly skilled “good” jobs.

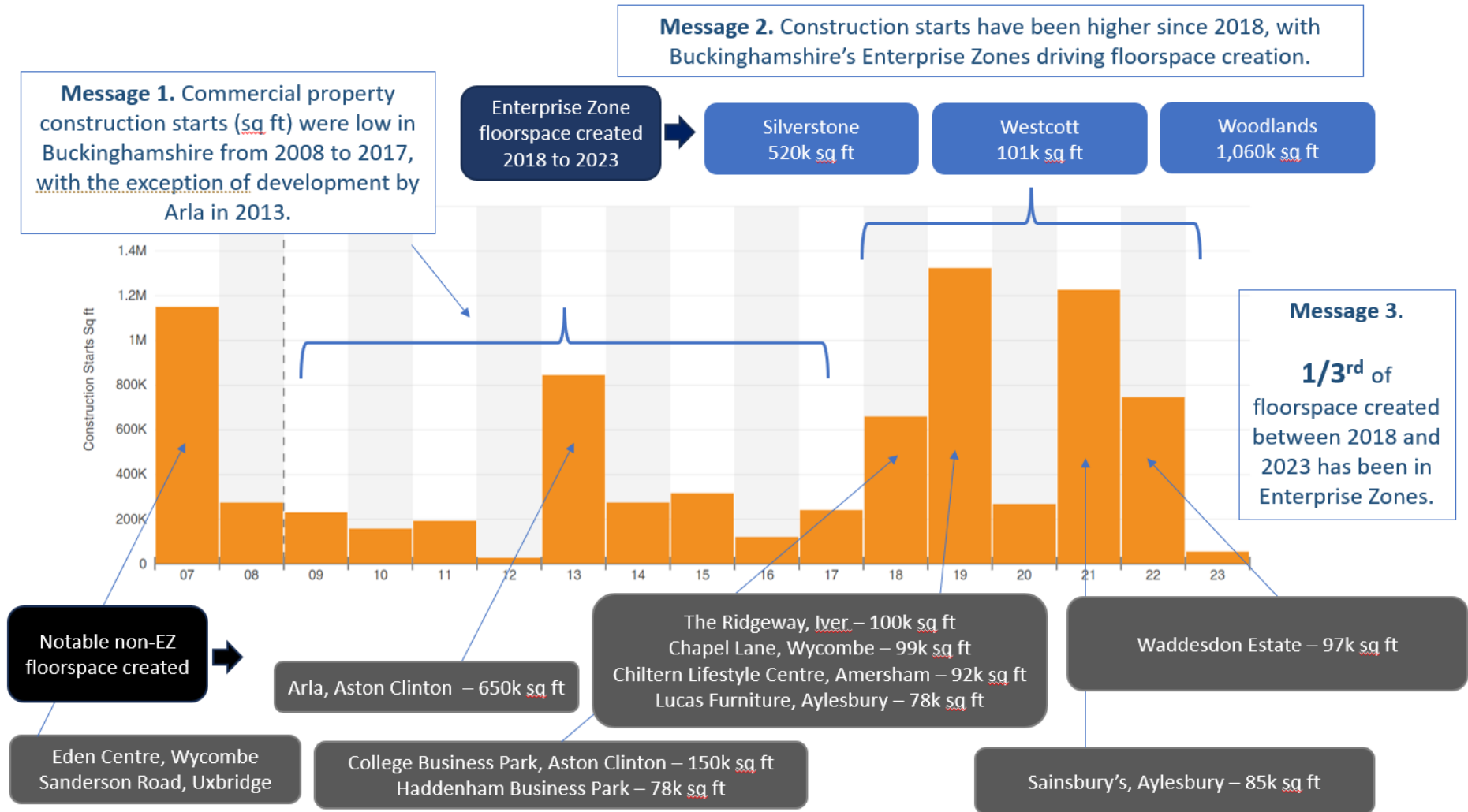
And finally, building on the [scorecards](#) produced by The Productivity Institute, the research will make recommendations regarding how best to monitor the impact of Buckinghamshire’s productivity interventions and the county’s performance on the key drivers of productivity over time.

5. Next steps

The study will be commissioned by the LEP towards the end of 2023 and will be undertaken between January and March 2024. Input from members of the Growth Board is requested by **12th December 2023**.

Annex 1

Commercial property construction starts in Buckinghamshire, 2007 to 2023 (to date)



Source: CoStar and LEP administrative data

Sources

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- ⁱ Source: [The Productivity Institute](#), 2023
- ⁱⁱ For an explanation of tradable and non-tradable sectors, please see the [Understanding tradable and non-tradable sectors](#) blog by the What Works Centre for Local Economic Growth.
- ⁱⁱⁱ Source: [Stagnation nation: The Economy 2030 Inquiry](#), the Resolution Foundation, 2022
- ^{iv} Source: [Buckinghamshire Economic Recovery Plan: Evidence Base](#) (pages 12 – 15), Buckinghamshire LEP, 2020
- ^v Source: [Experimental regional gross fixed capital formation \(GFCF\) estimates by asset type - Office for National Statistics \(ons.gov.uk\)](#)
- ^{vi} Source: CoStar
- ^{vii} Source: [Alasdair Rae, 2022](#)
- ^{viii} Large-scale house building often goes hand in hand with the development of infrastructure like roads, utilities, and public services. This infrastructure development can boost productivity in other sectors of the economy by improving efficiency and connectivity (source: ChatGPT, November 2023).
- ^{ix} Source: [Live Table 123](#), DLUHC, 2022
- ^x Source: [Buckinghamshire Local Skills Report](#), Buckinghamshire Skills Advisory Panel, 2022
- ^{xi} Source: [Buckinghamshire Local Skills Report](#), Buckinghamshire Skills Advisory Panel, 2022
- ^{xii} Source: [Buckinghamshire Local Skills Report](#), Buckinghamshire Skills Advisory Panel, 2022
- ^{xiii} Source: [Department for Business and Trade, 2023](#)