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| Local Members' Interest |
| N/A                     |

## Prosperous Staffordshire Select Committee – 1 March 2019

### Economic Growth Programme

#### Recommendations

1. That the Select Committee scrutinises the work and progress of the Staffordshire County Council Economic Growth Programme.
2. That the Select Committee comments on and considers aspects for further scrutiny.

#### Report of Cllr Mark Winnington, Cabinet Member for Economic Growth

#### Summary

##### What is the Select Committee being asked to do and why?

3. This paper has been prepared at the request of the Prosperous Staffordshire Select Committee to provide an update on the work and progress of the Staffordshire County Council Economic Growth Programme. Please note that six monthly updates in relation to the Economic Growth Programme were requested at the triangulation meeting on 17<sup>th</sup> October 2018.
4. The paper is accompanied by additional material which gives further detail around the progress of specific projects and is designed as a basis against which the Prosperous Staffordshire Select Committee may wish to frame its scrutiny.

#### Report

##### Background

5. More and better jobs means more money in residents' pockets – the essential basis for better health, prosperity and connected communities that are able to act on locally important issues themselves.
6. **Creating the right conditions for economic growth is a key priority for Staffordshire County Council**, directly contributing to the priority population outcome for Staffordshire's people to be able to access more good jobs and the benefits of economic growth. Moreover, economic growth underpins all of our priority outcomes, helps to secure long term financial stability and is a key contributing factor in the wider determinants of health.

## Macro-Economic situation

7. At the macro-economic level Staffordshire's economy continues to restructure and adapt to the challenges of the wider economic conditions of the UK as a whole and global economic circumstances.
8. Despite a strong reliance on sectors which could have been particularly vulnerable to the economic downturn of the late 2000's and early 2010's, Staffordshire's economy has coped relatively well. Claimant Count unemployment has remained at 1.4% of the working age population since March 2018 and has persistently remained well below the averages of Great Britain and the West Midlands Region (which stood at 2.4% and 3.0% respectively at December 2018). Since March 2018 the Claimant Count for Great Britain and the West Midlands have increased marginally, while the rate for Staffordshire has remained the same.
9. By encouraging and creating the right conditions for economic growth, Staffordshire County Council is directly playing its part in helping to achieve the ambitions of the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) which is seeking to create 50,000 jobs and increase the Gross Value Added (GVA) of Stoke-on-Trent and Staffordshire by 50% over a 10 year period beginning in 2014.
10. At previous meetings of the Prosperous Staffordshire Select Committee received information relating to total employment has been provided, including break downs of employment by sector and local authority district.
11. The most up to date employment information from the nationally recognised Business Register and Employment Survey (BRES) has now been made available for total employment up to the year 2017. In 2017 there were a total of 346,000 employee jobs in the Staffordshire County area. The total employment growth in Staffordshire increased by around 35,300 jobs during the period between 2011 and 2017.
12. This represents an employment increase of around 11.4%. This is above the increases seen in Stoke-on-Trent and the West Midlands Region but marginally below the England average of 11.9%.
13. Around 233,000 (67%) of the total jobs in Staffordshire in 2017 were classified as full-time jobs, with 112,000 jobs being on a part time basis. The restructuring of the local economy towards a greater balance of private sector employment is evident through some 88% of the total employment being from the private sector and 12% being from the public sector. This compares to a private sector employment share of 83% and 84% for the West Midlands Region and England respectively.
14. Having a well-balanced and mixed economy will be important for Staffordshire in being able to address economic shocks and maintain the resilience of the local economy. The experience of the recession of the late 2000's was characterised by a significant reduction in public sector employment. Staffordshire had traditionally

had a significant proportion of public sector employment, making it more vulnerable to wider economic shocks. The local economy has now restructured to a position where it should be in a better position to deal with potential future economic shocks.

15. Data relating to the total economic output of Staffordshire (as measured by Gross Value Added (GVA)) shows overall growth in the economy, which increased by around 18% between 2011 and 2017 from £14.3 billion to £16.9 billion.
16. The related measure of Gross Value Added per Head of Population increased by around 15% in this period, to £19,374 in the Staffordshire County area. However, GVA per head does continue to lag behind the average of the UK as a whole, at around 71.3% of the UK average. There are a number of reasons for this, including an economy which has a proportionally lower share of high value-added employment, the significant effects of out commuting and the lower than average “workplace” wages of Staffordshire compared to other parts of the country.
17. Resident based earnings in Staffordshire, are showing a general pattern of growth and the most recent 2018 data shows that the gross weekly pay of full-time workers in Staffordshire is £551 compared to £571 for Great Britain as a whole. This compares favourably to that of the West Midlands Region (£536 per week) and should be considered against the fact that the Great Britain figure is significantly influenced by the effects of inflated wages of London compared to other parts of the country.
18. Alongside the increase in residence based earnings in Staffordshire, the area is competitive in terms of its cost of living when comparing average house prices in the County to other parts of the country. While there are variations in house prices across Staffordshire, during 2018 the average house price to residence based earnings was 6.7, compared to ratios of 7.1 across the West Midlands Region and 8.4 for Great Britain. This means more money in people’s pockets and the opportunity to increase spending in Staffordshire’s towns and communities.
19. The number of micro and small enterprises in Staffordshire (under 49 employees) are growing in number and make up around 98% of all businesses, however, medium and larger businesses (with 50 or more employees) account for around 55% of total employment in the County. Our approach to making sure that Staffordshire is Right for Business therefore needs to be proportionate to the business audiences we are considering.
20. In 2017 Government figures identified that some 3,440 new business enterprises were formed in Staffordshire. This figure represents a reduction from the figure in 2016 (4,025 new business enterprises) but is within a similar range to previous years (between 3,600 and 3,700 in the years 2013 to 2015). While new business start-ups are important to the vibrancy of the local economy, the survival of these businesses is important and encouragingly, for businesses registered in Staffordshire in 2014 64.4% had survived for three years, which is above the three year three year survival rate of 61.3% in Great Britain as a whole. The three year survival rate in Staffordshire is also above all of the other “upper tier” local

authorities in the West Midlands Region other than Herefordshire (65.3%) and Shropshire (66.2%).

21. Although it is not possible to identify survival of businesses by sector at a county or more local level, those businesses which are in sectors such as ICT, health, education and professional, scientific and technical sectors tend to demonstrate the highest levels of survival after three years on a national basis.

### **Creating the right conditions for growth**

22. In creating the right conditions for businesses to grow and thrive, and promoting a mixed and balanced economy our experience has shown that having a pipeline of good quality employment sites is very important in being able to access potential Government funding opportunities which often emerge at very short notice.
23. This has been evidenced through our track record of developing similar projects across Staffordshire and evidence from our inward investment service also identifies that having a good supply of 'shovel ready', serviced development sites and ready to occupy buildings is crucial in attracting high quality investment.
24. Staffordshire County Council brings these activities together in a co-ordinated way through the Economic Growth Programme which forms part of the organisation's wider transformation programme.
25. Progress, performance and escalations are reported to the County Council's Senior Leadership Team and Informal Cabinet on a monthly basis through the wider Transformation Programme. Information is also provided to relevant Select Committees, and externally to the Stoke-on-Trent and Staffordshire Local Enterprise Partnership's Governance mechanisms and for subsequent reporting to Government Departments – in particular Business, Energy and Industrial Strategy and Ministry of Housing, Communities and Local Government.

### **Economic Growth Programme Key Facts**

26. The current total financial value of the Economic Growth Programme (including projects where initial work or interventions have completed) is around £455 million (of which around £69.8 million relates to direct capital investment by Staffordshire County Council). The majority of this investment covers the period up to 2024, with a significant amount planned to be disbursed by April 2021.
27. 'Live' projects within the Economic Growth Programme currently total around £273 million and are funded from a range of sources including via the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (Growth Deal and City Deal funding), EU funding, Staffordshire County Council's capital programme, and contributions from private sector developers. (Staffordshire County Council's current investment for these 'live' projects amounts to around £20.0 million).

28. This represents funding leverage of around £13.65 worth of funding secured from for every £1 of Staffordshire County Council investment in the current 'live' projects of the Economic Growth Programme.
29. Since the Economic Growth Programme commenced in 2014, 16 employment generating projects with a total value of around £194 million have been completed to date, and their outcomes are tracked. Between them, these projects are anticipated to create over 22,000 jobs when they have been fully built out and developed.
30. To date around 6,760 jobs have been delivered or committed on these sites (around 30% of their anticipated total long-term employment potential), reinforcing Staffordshire County Council's contribution towards meeting the SSLEP's employment creation and economic output targets.
31. In addition to job creation, the Economic Growth Programme has a strong focus on enabling the delivery of homes in Staffordshire. Some 2,200 homes have been delivered or committed as a result of interventions included within the 'live' and 'completed' projects of the programme. A further 12,200 houses are planned to be delivered through interventions which are included within the programme.
32. Since the Economic Growth Programme was previously considered by the Prosperous Staffordshire Committee, there has been positive movement in regard to several projects. Speculative development is now underway at the Liberty Park site in Lichfield, and the first speculative units have been let to occupiers at the Bericote Four Ashes and Meaford Business Parks. A 450,000 square feet speculatively built industrial unit at the Bericote Four Ashes site is also available for occupation.
33. Several key developer led "Section 278" highway access schemes delivered through the Infrastructure+ partnership, which will lead to further improved delivery of jobs and housing have also been completed and have assisted in bringing forward housing commitments and completions. Notably, significant civil engineering works to deliver the access improvements to the McArthur Glen Designer Outlet Village in Cannock are also underway.
34. As well as through their employment outcomes, these priority sites make an important contribution to the economy, and the financial sustainability of the County Council and other organisations through business rate receipts and Council Tax contributions.
35. The completed employment sites referred to above will currently generate around £10.3 million worth of estimated total business rates per annum (of which 50% is currently returned back to central government). The total business rates receipts for projects which have been delivered, and those that are planned and in the pipeline for development could be in the region of more than £30 million per annum (of which 50% is currently returned back to central government).
36. Alongside employment creation through physical infrastructure, the Economic Growth Programme has a strong focus on improving skills outcomes and

attainment. We have led on the development of the skills strategy through the LEP and delivered much of its commissioning and delivery on skills.

37. This includes developing and commissioning its £58m ESF programme that has already engaged over 18,200 residents improving their skills and job prospects and benefitting thousands of local employers. To date over 7,770 beneficiaries have either progressed into work, education, training, apprenticeships, or been upskilled to improve skill levels and productivity. The improvement and growth in skill levels is growing faster across the SSLEP area compared to nationally. There are now relatively fewer people with no qualifications than nationally and a relatively faster growth rate in people gaining qualifications in the SSLEP area, which is narrowing the skills gap. We have also led the LEP skills capital programme securing millions of pounds of investment through successive City and Growth Deals.
38. This has resulted in a much needed increase in skills in advanced manufacturing, engineering and construction through the development of the Advanced Manufacturing & Engineering Hub projects. The £13.2m Hub provides state of the art facilities and equipment over 6 sites and has already supported over 7,300 learners since the project was launched in 2014.
39. In addition, with LEP support we are investing a further £4.8 million in equipment to increase STEM (Science, Technology, Engineering and Mathematics) skills in the economy through the Skills Equipment Fund. Projects at Perkins Engines, Newcastle & Stafford College Group, Stoke-on-Trent College, South Staffordshire College and Staffordshire University have successfully applied for this funding which will help to secure a further 1,700 apprenticeships and further education learners.

### **Potential Economic Growth Programme Outputs and Outcomes**

40. The majority of the outputs and outcomes of projects currently included within the Economic Growth Programme are expected to be realised by around 2025 (however as new projects enter the programme their outputs and outcomes may extend further into the future).
41. Taking into account the projects currently included within the Economic Growth Programme the following potential outputs could be realised over the lifetime of the programme:
  - a. A further 21,000 jobs
  - b. Infrastructure improvements to help deliver 15,600 homes
  - c. 96% of premises connected to Superfast Broadband
  - d. 15,000 apprentices, traineeships and FE learners to be supported through the Advanced Manufacturing Hub and Skills Equipment Fund activities
  - e. Around 3,000 employers engaged in training through the LEP ESF programmes
  - f. 26,800 people engaged in training programmes through the LEP ESF programmes and the Locality project

42. It should be noted that employment estimates should be treated with some caution and are likely to vary depending on the end users of the sites in question. The figures quoted in this report are based on best estimates using recognised methodology, the details of which have been explained previously to the Prosperous Staffordshire Select Committee.
43. It should also be noted that in a number of recent investments the primary role for Staffordshire County Council has been to unlock longstanding employment land in the ownership of private developers through assisting in the delivery of often costly off-site infrastructure. Taking a proactive role in unlocking such sites is vitally important in locations like Staffordshire as it helps to overcome the viability and delivery issues which can otherwise stagnate development, and allows the Staffordshire economy to remain competitive at the regional, national and international level.
44. This approach has been effective in creating the right conditions for private sector businesses to move on to employment sites and into business premises. Although there is some influence over the nature and type of end use (and the jobs that these can generate) through the planning system, the final employment figures generated will depend on the end users of the sites.

## **Conclusion**

45. Staffordshire County Council's ambitious Economic Growth Programme is continuing to play a crucial role in Staffordshire's ongoing economic improvement. Claimant unemployment rates continue to be persistently below the averages for the West Midlands and Great Britain. This success story is likely to continue as Staffordshire County Council works in partnership to deliver priority projects with the Stoke-on-Trent and Staffordshire Local Enterprise Partnership and other key local stakeholders.
46. The key priority for the future will be to encourage further growth in higher value added sectors, meeting the County Council's ambitions for creating 'better jobs' while ensuring that there is a mixed and balanced economy in Staffordshire. All of this needs to be combined with a competitive and broad skills profile among local communities, able to support this growth, giving everyone the best opportunities to fulfil their economic potential.

**Link to Strategic Plan** – the Economic Growth Programme directly supports the Strategic Plan priority outcome for Staffordshire's people to 'access more good jobs and the benefits of economic growth'. It also indirectly supports the priority outcomes for people to 'feel healthier and more independent', and 'safer, happier and more supported'.

**Link to Other Overview and Scrutiny Activity** – the Economic Growth Programme pulls together priority economic projects from across Staffordshire County Council.

The Prosperous Staffordshire Select Committee's work plan includes topics within the programme including Skills and Employability matters, the EU funding programme and the County Council's approach to housing.

**Community Impact** – This report provides an update on economic growth in Staffordshire and is not proposing a change to any County Council policy or service. As such a full assessment of community impact is not relevant. However, the overall benefits of the Economic Growth Programme including increased employment and skills among the local population, and their wider contributions to quality of life are deemed to represent overall positive impact to the local community.

**Appendix A** – Table of Selected Key Projects – **please note that this table does not contain all projects** due to the confidential/commercial nature of certain projects. As such the totals in this table do not always sum exactly to the figures outlined above in this report.

### **Contact Officer**

Jonathan Vining, Economic Growth Programme Manager

Tel – 01785 277353

E mail – [jonathan.vining@staffordshire.gov.uk](mailto:jonathan.vining@staffordshire.gov.uk)