

Local Members' Interest
N/A

Prosperous Staffordshire Select Committee – 19 July 2018

Economic Growth Capital and Development Programme and Growth Hub

Recommendations

1. That the Select Committee scrutinises the work and progress of the Staffordshire County Council Economic Growth Programme and the Growth Hub.
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 and to provide some detail in relation to the Stoke-on-Trent and Staffordshire Growth Hub.
4. The paper is accompanied by additional material which gives further detail around the progress of specific projects, the Stoke-on-Trent and Staffordshire Growth Hub, employment change over time, and the calculation of employment outcomes, 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 recent economic downturn, Staffordshire's economy has coped well, and while claimant unemployment has risen marginally over recent months (currently at 1.3% of the working age population in May 2018) rates have persistently remained well below the averages of Great Britain and the West Midlands Region (2.2% and 2.8% respectively during the same period).
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 its meeting on 15th December 2017, the Prosperous Staffordshire Select Committee received information relating to the increased total employment between 2011 and 2016, which at the time was calculated to be an increase of around 19,000 jobs. The Committee asked for additional information in regard to this statistic which is included below in this report.
11. Since that time, more up to date employment information from the Business Register and Employment Survey (BRES) has now been made available which identifies that the total employment growth in Staffordshire increased by around 30,800 jobs during the period between 2011 and 2016 (Further details of this information, including the structural breakdown of this employment is available for the information of the committee at Appendix B).
12. This represents an employment increase of around 9.9% which is above the increases seen in Stoke-on-Trent and the West Midlands Region, but marginally below the Great Britain average of 10.6%.
13. Around 21,100 (69%) of these jobs were classified as full time jobs, with 9,700 additional jobs being on a part time basis. The restructuring of the local economy towards a greater balance of private sector employment is evident through an increase of 45,900 private sector jobs in the 2011-16 period compared to a 15,000 decrease in public sector jobs during the same period.
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 which should put it in a better position to deal with potential future economic shocks.

15. Staffordshire's percentage change in private sector employment (18.4%) has been greater than the West Midlands and Great Britain (16.5%) change, but has seen a much more significant percentage change in the percentage of public sector employment (-24.6%) than the averages for the West Midlands and Great Britain. Interestingly the data identified that the change in public sector employment in neighbouring Stoke-on-Trent saw a small increase during the same period.
16. Data for this period relating to the total economic output of Staffordshire (as measured by Gross Value Added (GVA)) reflects this level of growth in the economy, and increased by around 17.0% between 2011 and 2016 from £14.3 billion to £16.7 billion.
17. The related measure of Gross Value Added per Head of Population increased by around 14.6% in this period, to £19,260 in Staffordshire, however GVA per head does continue to lag behind the average of the UK as a whole, at around 72.4% 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 effects of out commuting and the lower than average workplace wages of Staffordshire compared to other parts of the country.
18. Resident based earnings in Staffordshire, are showing a general pattern of growth and the most recent 2017 data shows that the gross weekly pay of full time workers in Staffordshire is £533 compared to £553 for Great Britain as a whole. This compares favourably to that of the West Midlands Region (£517 per week) and should be considered against the fact that the Great Britain figure is partly influenced by the effects of inflated wages in London.
19. 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 2017 the average house price to residence based earnings was 6.5, compared to ratios of 6.9 across the West Midlands Region and 7.8 for Great Britain. This means more money in people's pockets and the opportunity to increase spending in Staffordshire's towns and communities.
20. The number of micro and small enterprises in Staffordshire (under 49 employees) are growing in number and make up around 96% 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 audience we are considering.
21. In 2016 Government figures identified that some 4,025 new business enterprises were formed in Staffordshire, with this figure in a similar range (between 3,600 and 3,700 between 2013 and 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 2013 62.4% had survived for three years, compared to 60.8% in Great Britain as a whole.

Staffordshire and Stoke-on-Trent Growth Hub

22. Staffordshire County Council continues to develop and sustain business support programmes which will encourage economic growth across the county. The Stoke on Trent & Staffordshire Growth Hub is the first stop shop for all businesses seeking support in growing and developing their business. It was set up by the Local Enterprise Partnership in 2014 through the City Deal and it helps by simplifying the business support landscape and finding companies the specific help they need.
23. The Stoke on Trent & Staffordshire Growth Hub is a partnership between Staffordshire County Council (Accountable Body) Stoke on Trent City Council, Staffordshire Chamber of Commerce and the Greater Birmingham Chambers of Commerce. The Hub team are supported by their employing organisations and they work together to provide first point of contact, business analysis and recommendations for next steps to Staffordshire companies.
24. The Growth Hub consists of the Staffordshire Business Helpline, 8 qualified business advisors, and administrative and managerial staff. The Growth Hub is fully funded through government grants from Government Departments for Business Energy and Industrial Strategy (BEIS) and Ministry for Housing, Communities and Local Government (MHCLG) each year and partner contributions, which support staff time, events and a small grants scheme. The grants are provided to companies to help with large capital item purchases and who are able to demonstrate ambitions to grow and employ additional staff. In the last two years the grant scheme has helped enable the creation of 84 jobs. BEIS, MHCLG and the LEP provide the Hub with Key Performance Indicators and targets which are reported on a quarterly, bi-annual and annual monitoring structure.
25. The Helpline and Growth Hub advisors work with businesses to ascertain what the next steps are to help them achieve their business goals. They do this through the use of a Business Diagnostic Tool completed during a 1 to 1 business meeting. The advisor will then refer them to business support organisations which manage the 90 schemes currently available in Staffordshire. The referrals range from mentoring, product development or diversification, accessing apprentices, advice on ISO certification to leadership or workforce training. Businesses are also signposted to targeted workshops and events which are relevant to their growth plans.
26. The Growth Hub assists start-up businesses by providing them with advice on how to establish their business and then referring them to one of the start-up schemes in the county. Since the Growth Hub started supporting businesses in 2014, 2050 start-up contacts have been made with the Staffordshire Business Helpline and 1587 start-up businesses have been supported by the Growth Hub Advisors who made 1681 to business support schemes referrals for them.

27. Records show that around 10% of all business that contact the Growth Hub are less than 12 months old, and 15% of contacts come from individuals who are considering starting a business, reinforcing the programme's importance in assisting business growth in Staffordshire.
28. Businesses contacting the Growth Hub tend to be focused among smaller sized businesses with more than 75% of contacts coming from "micro businesses".
29. Assistance through the Growth Hub is broken down into 3 broad "levels" of assistance, from an initial light touch assist which often involves initial signposting, through more detailed business diagnostics and workshops, to intensive business intelligence assistance which can provide up to 12 hours of targeted assistance to businesses.
30. Between 1st May 2014 and 1st May 2018 the breakdown of these different levels of assistance is:
 - a. 7655 light touch/first point of contact assists
 - b. 1953 three hour assists through business diagnostics and workshops
 - c. 46 twelve hour intensive/business intelligence assists

Between 1st May 2014 and 1st May 2018 the Growth Hub has achieved the following outputs:

- a. 6,249 businesses assisted
 - b. 804 manufacturing businesses assisted
 - c. 1,247 referrals made to mentoring programmes
 - d. 3,377 referrals made to Universities
 - e. 7,395 contacts made through the Staffordshire Business Helpline
 - f. 17,295 signposts and referrals made to business support schemes
31. User satisfaction with referrals made through the Growth Hub is very high, and 100% satisfaction rates have been received for referrals made to the Business Innovation Centre, the Princes Trust, Black Country Reinvestment Society, the Factory Scheme, the Growth Hub small business grant, the Ladder for Staffordshire, Staffordshire Business Environment network and Staffordshire Chambers.

Creating the right conditions for growth

32. 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. 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.

33. 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.
34. 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 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

35. The current total financial value of the Economic Growth Programme (including projects where initial work or interventions have completed) is around £404 million (of which around £66.5 million is direct investment by Staffordshire County Council). The majority of this investment will cover a period up to 2024, with a significant amount planned to be disbursed by April 2021.
36. 'Live' projects within the Economic Growth Programme currently total around £204 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 £14.99 million).
37. This represents funding leverage of around £13.60 worth of funding secured from for every £1 of Staffordshire County Council investment in the current 'live' projects of the Economic Growth Programme.
38. Since the Economic Growth Programme commenced in 2014, 15 employment generating projects with a total value of around £159 million have been completed to date, and their outcomes are now being tracked. Between them, these projects are anticipated to create over 19,000 jobs when they have been fully built out and developed.
39. To date around 6,650 jobs have been delivered or committed on these sites (around 35% 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.
40. In addition to job creation, the Economic Growth Programme has a strong focus on enabling the delivery of homes in Staffordshire. Some 1,700 homes have been delivered or committed as a result of interventions included within the 'live' and 'completed' projects of the programme.
41. Since the Economic Growth Programme was previously considered by the Prosperous Staffordshire Committee, there has been positive movement in relation to further speculative development under construction at the Bericote Four

Ashes Business Park, and planned at the Liberty Park site in Lichfield. Several key developer led "Section 278" highway access schemes which will lead to further improved delivery of jobs and housing have also been completed.

42. 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.
43. The completed employment sites referred to above currently generate around £9 million worth of 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).
44. 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.
45. This includes developing and commissioning its £45m ESF programme that has already engaged over 12,000 residents improving their skills and job prospects and benefitting thousands of local employers. We have also led the LEP skills capital programme securing millions of pounds of investment through successive City and Growth Deals.
46. 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. The £13.5m Hub provides state of the art facilities and equipment over 6 sites and is planned to support over 4,500 learners adding millions to the local economy output. In addition, with LEP support we are investing a further £3million in equipment to increase STEM (Science, Technology, Engineering and Mathematics) skills in the economy through the Skills Equipment Fund.

Potential Economic Growth Programme Outputs and Outcomes

47. 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).
48. 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 17,000 jobs
 - b. Infrastructure improvements to help deliver 15,600 homes
 - c. 96% of premises connected to Superfast Broadband

- d. 4,500 apprentices, traineeships and FE learners supported through the Advanced Manufacturing Hub activities
 - e. 2,700 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
49. 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, with further detail set out in the attached briefing note at Appendix C.
50. 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.
51. 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.
52. At its meeting on 15th December 2017, Members of the Prosperous Staffordshire Select Committee requested further information relating to the methodology used in estimating levels of job creation from proposed business park investments, and details of this are provided at Appendix C to this report.

Conclusion

53. 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.
54. 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** at this point in time due to the confidential/commercial nature of certain projects. As such the totals in this table do not sum exactly to the figures outlined above in this report.

Appendix B – Detailed tables, employment data for Staffordshire County and comparison areas 2011 – 2016 (Source - Business Register and Employment Survey, NOMIS).

Appendix C – Briefing note, methodology for estimating and recording employment data on employment sites.

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