

Local Members Interest
N/A

Prosperous Overview and Scrutiny Committee - Friday 23 July 2021

Economic Recovery, Renewal & Transformation Update

Recommendations

I recommend that:

- a. The Select Committee considers the quarterly update provided on progress made against the Staffordshire Economic Recovery, Renewal & Transformation Strategy.
- b. The Select Committee considers the interventions already made by the County Council and partner organisations and recommends further interventions to be considered by Cabinet that the Committee believes would help to enable the successful delivery of the Strategy.
- c. That further updates are brought to the committee on a six-monthly basis.

Report of the Deputy Leader and Cabinet Member for Economy & Skills

Summary

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

1. The purpose of this report is to:
 - a. Provide the Select Committee with an opportunity to consider and comment upon progress made in relation to the Economic, Recovery, Renewal & Transformation Strategy. The unprecedented nature of the Covid19 pandemic has meant that the County Council has had to react quickly to support our businesses and residents. The Strategy has been flexible enough to be able to respond to the range of scenarios that presented themselves during the respective lockdowns. As we now move through Stage 4 of governments plans, the strategy will be reviewed and a new document prepared that reflects on where we have come from, how we have emerged from the crisis and how, through the changed landscape following Covid 19, we will continue to sustainably grow and to prosper. This is an opportunity for the Committee to help to shape the new Strategy and County Council's plans for the local economy over the next five years within the context of our response to Covid 19.
 - b. The successful delivery of the Staffordshire Means Back to Business Strategy in achieving the vision and aims that it sets out has been dependent on many factors, not least the identification and delivery of appropriate projects and programmes. A range of interventions have already been made by the County Council, Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP), HM Government and other partners to respond to Covid 19 whilst the

development of the supporting delivery plan(s) for the Strategy is ongoing as it reflects changing conditions in the local economy.

- c. Monitoring the County Council's performance in delivering the Strategy is vital to ensuring we ultimately achieve its vision and aims. The Committee has an important role in scrutinising our performance over the duration of the Strategy.

Report

Background

2. Our Economic Recovery, Renewal and Transformation Strategy was agreed by Cabinet and scrutinised by the Prosperous Select Committee in June 2020. At that time, the impact of the crisis on the economy was unclear. While there is still some uncertainty around the longer-term impact of the Covid 19 pandemic, through the 4-step route out of lockdown we have seen the gradual re-opening of our economy.
3. Uncertainty does remain, and it is therefore very important that our Strategy and associated delivery plan(s) are relevant and capable of responding to whatever situation becomes a reality over the coming months and years.
4. To recap, our current Strategy sets out our priorities for the next five years through four non-linear phases:
 - a. **Respond** – support our businesses and residents through the Covid19 pandemic.
 - b. **Recover** – create the conditions to support our businesses and residents to return-to-work as soon as possible.
 - c. **Renew** – continue to progress those priorities that will play an important role in achieving our ambitions to develop the local economy beyond the current crisis.
 - d. **Transform** – utilise the opportunities presented by the current economic conditions by supporting the transformation of the local economy to be digital, clean and higher-value.
5. The five economic themes of **business environment**, **people**, **infrastructure**, **place** and **ideas** that form the integral part of our Strategic Plan and the national and local industrial strategies remain relevant, but the strategic priorities aligned to these themes have been reconsidered in response to the Covid19.
6. There are several key issues to consider that cut across all of the themes including the need to meet carbon-neutral targets, supporting inclusive growth to ensure all our residents benefit from the development of the local economy including within urban and rural areas and communicating and engaging effectively with our businesses and residents, thereby creating a strong Staffordshire identity.
7. As we move into Stage 4 of the national recovery plan, our intention is to now review our existing Strategy. But it is important to reflect on our current situation and how we can support and develop further Staffordshire's economy.

Current state of the Staffordshire Economy

8. Overall, the proportion of working age Staffordshire residents on a Government support schemes is estimated to be at 14.2%, which lower than the national average of 17% and regional averages of 16% as greater numbers of Staffordshire residents have been able to return to work. This data, which covers the period up to the end of May 2021 is significantly lower than when last reported to the Committee when the Staffordshire figure stood at 19.9%.
9. The claimant count (Universal Credit) in Staffordshire at May 2021 stood at a total of 23,440 claimants with a claimant rate of 5.1% of the working age population. However, not all will be out of work. Whilst there have been some announcements of potential redundancies, due to the move to Universal Credit claimant count figures now also include those that have had a lower income through Covid-19, including furloughed staff and part time employees, short-term layoffs and self-employed that have paused or ceased operating
10. The claimant count rate is still relatively low in Staffordshire (4.4%) compared to regionally in the West Midlands (7.0%) and nationally (6.1%), however, it is young people, the lowest paid (including those in manual occupations, more routine or less skilled jobs) and part-time workers who continue to feel the impact of the economic shock the most.
11. Unemployment and those claiming benefits has reduced slowly over more recent months, however, there remains a considerable number of employees furloughed within the county (34,300) albeit this number is significantly below that experienced during the third national lockdown which began in January 2021.
12. Whilst the furlough scheme has been further extended to the end of September 2021, the contribution of employers to the scheme rose to 10% from 1st July and will rise to 20% in August. There is still a great deal of uncertainty around the future health of the economy, particularly as economic support measures are reduced or stopped.
13. There is room for some cautious optimism, The Bank of England has stated that the UK economy will enjoy its fastest growth in more than 70 years in 2021 as Covid-19 restrictions are lifted, with the economy expected to grow by 7.25% this year which follows a contraction of 9.9% in 2020 the biggest in 300 years.
14. In terms of the ongoing economic impact from the pandemic, UK Gross domestic product (GDP) grew by 0.8% in May following a 2.3% increase in April, and the fourth month of growth in a row.
15. The May figures include a 37.1% growth in accommodation and food services which is most welcome news for the visitor economy and hospitality industry.
16. The Bank of England is now expecting the unemployment rate to peak at 5.5% later this year, which is far below the 7.75% it predicted in February. It is expected that extra Government spending such as the extension of the furlough scheme until the end of September, a stronger recovery, and an assumption that the long-term

damage from the pandemic will be smaller than previously expected will all help limit job losses

17. The latest job vacancies data also shows signs of economic recovery with a further uplift in June 2021. This is reflective of the further opening up of the economy with more businesses being able to open as restrictions ease. Staffordshire saw a 3% increase in vacancies between May and June, or 700 additional vacancies. The total number of unique vacancies in Staffordshire stood at 24,945 jobs in June 2021.
18. As more jobs become available, there are increasing signs of skills shortages in a number of sectors, with insufficient labour supply to meet demand. This is currently particularly relevant in the digital/IT, social care, hospitality and engineering sectors.
19. Within Staffordshire there have been several positive major job creating announcements in recent months including
 - The growth of Stone Based Midlands 3D printing, doubling its production capacity for 3D print manufacturing of strong nylon parts. The company's growth to over 100 machines has been enabled by the development of a second dedicated facility.
 - Up to 30 new jobs look set to be created at a sheet metal manufacturing business as part of a £4 million investment in a new site. Alpha Manufacturing has broken ground on a 35,000 sq. ft facility which is being constructed at Beacon Park, in Stafford. It will see up to 30 new jobs created at the company which is part of the Bri-Stor Group along with 15 new apprenticeships and 11 higher apprenticeships.
 - A start on site for the first phase Quintus employment land development at Branston Locks near Burton-upon-Trent with 235,000 square feet of floor space available during early 2022 and online fulfilment company Super Smart Service also taking space at the nearby St. Modwen Park
 - Food company, Ornuo Ingredients is investing £500,000 at its facility in Leek, building on investment of £3 million announced in November 2020.
 - 500 additional jobs across JCB's operations on top of the 850 announced earlier this year

Staffordshire Means Back to Business (Additional Restrictions Grant)

20. A key component of our response through the Strategy has been enhanced two tier working with our Districts and Boroughs through Additional Restrictions Grant (ARG). The programme has been designed in discussion with District and Borough Councils, the Federation of Small Businesses and the Chambers of Commerce. It allows for the pooling of the ARG the local authorities received from central government, together with a significant contribution from Staffordshire County Council (£862,000). This programme was approved by Cabinet in January 2021.
21. It was designed to be cross cutting and to respond to all four component parts of the Strategy (respond, recover, renew, and transform) through the following work streams:

- Staffordshire 500, Apprentices Wage Support
- Nil Cost Training for Employers Top Up Project
- Small Business “To Thrive” Financial Support (including business start up, capital support through loans and grants to enable Covid related adjustments)
- Ignite (encouraging young people to start their own businesses)

22. All 8 Districts and Boroughs have signed up to the programme framing their contribution within the context of how they see the issues faced by their local economy can be assisted. The programme now stands at a value of £5.3M of which £1.7M has been committed.

23. Staffordshire Means Back to Business ARG was soft launched in April using the County’s strategic contribution as the catalyst to activate interest across the County. Each individual Borough and District was “activated” as and when their approvals were in place (we were able to operate at different speeds and yet not withhold opportunities because of the County’s umbrella investment). The outputs to date are detailed below:

Committed outputs	Staffs Apprenticeship 500 Output	Nil Cost Training Top Up Output	Business Start Up - Start Up Loans Output	Business Start Up - Ignite Output	Business Start Up - Start Up Output	Small Business 'To Thrive' Output	Total Output
Cannock Chase	40	15	1	10	43	2	111
East Staffs	14	19	0	22	66	4	125
Lichfield	19	18	0	47	19	4	107
Newcastle	27	34	1	88	107	3	260
Stafford	45	35	3	35	215	4	337
Staffs Moorlands	15	22	0	38	122	4	201
South Staffs	6	7	2	42	26	4	87
Tamworth	7	6	1	15	34	5	68
SCC only							
Total Commitments	173	156	8	297	632	30	1,296

24. With our partners, much has been done in a very short period. The Back to Business Programme (ARG) is subject to monthly progress meeting to understand where take up has been lighter than expected, and to push appropriate marketing. Although we anticipate a lot of activity in the next few months as we move into Stage 4 and businesses really start to trade more fluently.

Spotlight on i54 Western Extension

25. i54 Western Extension again cut across all themes of the strategy as ARG did, yet in a slightly different way. Whilst much of the work was underway, it was about practically responding to the pandemic, to continue to create the opportunities that would assist the economy to recover, renew and transform, without introducing delay and faltering activity. Taking the lead to create the right conditions for growth and working as part of a strong Joint Venture Partnership, we continued to deliver the 60 acre i54 Western Extension site, which will now be substantially complete by the end of July. This creates the opportunity for our economy to thrive.

26. With the commitment of Staffordshire County Council, City of Wolverhampton Council, South Staffordshire Council and both the Staffordshire and Stoke-on-Trent and Black Country Local Enterprise Partnerships to bring forward the site, a funding package was confirmed in early 2019 allowing the access road serving the site to be developed and completed in March 2020 two weeks ahead of programme.

27. Despite the many challenge caused by the Covid 19 pandemic and periods of wet weather, the project team have worked safely throughout, with an advanced work package for the main earthworks programme completed on schedule in July 2020 with the current main earth works package following directly after.
28. In preparing the development platform, which can accommodate up to 1 million square feet of employment floor space, the team have successfully moved 86,300m³ of topsoil, excavated, processed and placed 145,000m³ of weathered and hard rock and installed half a kilometre of drainage.
29. The project is a great example of our strategic partnership arrangement with Amey through both design and build stages and strong use of the local supply chain.
30. There are already some very exciting opportunities at an advanced stage of negotiation with two occupiers including an exclusivity agreement and Heads of Terms signed with a modern methods of manufacturing company and advanced discussions with another international manufacturing business. Without continuing to deliver this scheme through Covid, these opportunities would not be realised so soon.
31. As well as the employment opportunities on the site, there will also be enhancements to access to Wobaston Road through provision of a new cycleway, the formation of new habitats and a significant improvement to the bridleway which was diverted round the site as part of the works.
32. If the site follows the pattern of the existing i54 we anticipate that around 50% of employees will come from within a 10-mile radius.
33. i54 is truly a world class business park, and the extension is sure to follow suit. It is a site that we are immensely proud to have played a major part in and a real-life example of how our work is creating the conditions for Staffordshire to thrive and get back to business.

Conclusion

34. We are seeing positive signs of recovery in the Staffordshire economy which continues to perform ahead of the national and regional picture. Returning to pre pandemic levels of economic activity will take some time and there will undoubtedly be some negative impacts as it restructures and adapts to future challenges and opportunities.
35. Our Strategy recognises that many opportunities have arisen that we need to grasp to hasten the development of the Staffordshire economy, such as the increase in homeworking and positive environmental impacts. Delivering our Strategy and taking full advantage of these opportunities will further enable the Staffordshire economy to **renew** and ultimately **transform** into a place where clean, productive businesses are created and thrive whilst existing business are supported to fully participate in the new economy.

Link to Strategic Plan

36. The Strategy primarily relates to the 'access to more good jobs and share the benefits of economic growth' Strategic Plan priority and all the associated priorities. However, there are aspects of the Strategy that cut-across all the Strategic Plan priorities with increased prosperity in the County having the potential to have positive impacts on resident's health, safety and happiness.

Link to Other Overview and Scrutiny Activity

37. Due to the cross-cutting nature of the Covid 19 response, recovery, renewal and transformation strategy there will be close links to a wide range of Overview and Scrutiny activities. A range of activity that the County Council has progressed over the last couple of years will remain important to the delivery of the Strategy, although now is the time to renew it in light of our move to Stage 4.

Community Impact

38. The impact of the Covid19 crisis has the potential to affect some demographic groups and locations more than others, although this is a situation that evolves rapidly and with some uncertainty. Inclusive growth is a theme that cuts across all the strategy and the aim is therefore for all residents to benefit from its delivery. A 'live' evidence base is being updated regularly to monitor the impact and a strategic priority within the Strategy is to support affected groups, allowing the County Council to respond accordingly.

List of Background Documents/Appendices:

Appendix 1 – Economic Bulletin edition 12 – July 2021

Contact Details

Report Commissioner: Anthony Hodge
Job Title: Assistant Director for Business & Enterprise
Telephone No.: 07980 949799
E-Mail Address: anthony.hodge@staffordshire.gov.uk