

**REVIEW OF BROMSGROVE ECONOMIC PRIORITIES AND FUTURE DIRECTION OF TRAVEL**

Relevant Portfolio Holder	Cllr Karen May – Deputy Leader for the Council and Portfolio Holder for Economic Development, Town Centre and Strategic Partnerships
Portfolio Holder Consulted	√
Relevant Head of Service	Kevin Dicks – Chief Executive
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A
Key Decision / Non-Key Decision	Key decision

**1. SUMMARY OF PROPOSALS**

- 1.1 The Council’s current economic priorities were agreed by Cabinet in July 2015. The priorities have helped to provide a focus for the Council’s economic development and regeneration activities and good progress has been made by the Council in supporting the local economy to develop and grow and to drive forward the regeneration of the district’s key centres.
- 1.2 This report sets out a revised set of economic priorities for the district which are underpinned by an analysis of the various economic challenges and opportunities faced by the district.

**2. RECOMMENDATION(S)**

**The Cabinet is requested to RESOLVE that:**

- 1) The economic narrative set out at Appendix 2 and the challenges and opportunities faced by the district set out at 3.14 is noted and endorsed.**
- 2) The nine strategic priorities for economic growth set out at 3.22 are endorsed.**
- 3) The Early Action Programme set out at Appendix 3 is endorsed.**

**3. KEY ISSUES**

**Financial Implications**

- 3.3 There are no financial implications arising directly from this report. Any proposals that require additional Council resources or funding will be subject to the usual Council decision and budget processes.

**Legal Implications**

- 3.4 There are no direct legal implications arising from this report.

**Service / Operational Implications**

**Background**

- 3.5 In July 2015, Cabinet approved a new set of economic priorities to provide a focus for the Council's economic development and regeneration activities and also to guide the activities of the North Worcestershire Economic Development and Regeneration (NWEDR) service, which the Council supports financially. The economic priorities were underpinned by a high level Action Plan which included a range of activities designed to improve the economic performance of the district and to specifically help and support local businesses and new business start-ups (see Appendix 1 for progress against delivery of the Action Plan).
- 3.6 The development of the economic priorities was based upon an assessment of local economic conditions at that time and strategic opportunities to develop the economy and also took into account views expressed by local business leaders and stakeholders. At the time Cabinet agreed to focus on supporting the growth of small and medium sized businesses (SMEs) and developing a sustainable economy that was not reliant on a small number of sectors.
- 3.7 The actions that Cabinet endorsed back in July 2015 were in effect practical measures to help and support local businesses and the local workforce. That said, positive progress has been made since 2015 and the Council has worked with its partners to deliver a number of activities to support the economic development and growth of the district, including:
- Adoption of its Local Plan including housing and employment policies up to 2030;
  - Delivery of major regeneration projects in Bromsgrove Town Centre including the first phase of the former Market Hall re-development, with a new 'Little Waitrose' store due to open in May 2017; furthermore planning consent has been granted for a redevelopment of the Birmingham Road retail park and an Aldi superstore on Stourbridge Road;
  - Supporting 15 start up and growing Bromsgrove businesses through direct grant funding offered by NWEDR and supporting a further 7 existing businesses by providing access to business support programmes offered through NWEDR and partners;
  - Successfully introducing a 'centres management' approach to developing key centres in the district, with a Centres Manager appointed in May 2016, to improve the vibrancy and competitiveness of the centres;
  - Through the NWEDR team; organised and delivered a number of highly successful business events and participated in the recently launched 'North Worcestershire Business Ambassadors' initiative.

**Context for change**

- 3.8 Since the economic priorities were adopted; a whole raft of events have occurred which have altered the economic outlook for the UK and for the regional and local economy. The full effect of the UK leaving the EU is yet to be felt and there is no doubt that there will be economic uncertainty for the next two years, as the UK Government undertakes the process of formally leaving the EU. The resultant economic climate is therefore likely to be one of uncertainty with fluctuations in currency value with businesses and consumers reviewing and adjusting their investment and spending plans in the light of new opportunities and challenges. The Council has also had to deal with the impact of the latest local government finance settlement and the planned elimination of the Revenue Support Grant, with a negative grant to be paid back by the Council to Government in 2019-20. The reforms to local government finance include the proposal that a new framework for retention of Business Rates will be implemented that will enable Councils to retain a greater proportion of Business Rate income, subject to prescribed 'tariffs'. This will mean that the Council will be incentivised to encourage growth in the district as a way of continuing to deliver high quality services. To help with the future financial sustainability of the Council, there is also a need to pursue a more commercial approach to the way that the Council delivers its services to residents, looking at income generation opportunities and examining alternative delivery models.
- 3.9 The Bromsgrove economy is currently faring relatively well compared to neighbouring districts, with recent data showing that the district's unemployment rate is amongst the lowest in the West Midlands region. Furthermore, skills levels for local residents are higher than the regional and national averages and the district has a strong record in generating growth in small-medium sized businesses, particularly 'micro' businesses i.e. those businesses that employ between 1 and 9 people. Bromsgrove is home to a highly successful labour market with skilled resident workers serving the wider West Midlands region on a daily basis.
- 3.10 Despite the solid performance of the Bromsgrove labour market, the Council is aware of a number of underlying weaknesses in the local economy and the potential impact of the external events that are affecting the UK, which illustrate the need to avoid complacency and have prompted the need to review the Council's economic vision and aspirations.
- 3.11 In particular, the Council has listened carefully to the views of the Economic Development Theme Group (which forms part of the Bromsgrove Partnership) which consists of business leaders and partner organisations such as the Department for Work & Pensions and Heart of Worcestershire College. Over the last 12 months, the Group has challenged the Council's economic ambition and vision for the future. In particular, the Group has expressed a view that the district has the potential to position itself more forcibly as a key economic hub for the West Midlands and Worcestershire rather than its current perceived status as

a 'dormitory district'. This is due to its close proximity to the Midlands Motorway network, high skills base, entrepreneurial culture and good quality of life;

- 3.12 In response to this challenge, in October 2016, NWEDR (on behalf of the Council), commissioned Brendan Nevin (an academic and public policy consultant) to help develop a clearer picture of what is happening in Bromsgrove from an economic perspective, but to also put this in the context of the economic geography that the district sits within. In his work, he has also considered the impact of emerging Government plans, policies and spending priorities on Bromsgrove, specifically examining how changes to public policy and local government finance will act as an incentive to pursue a growth led economic strategy.

**Key challenges and opportunities**

- 3.13 In November, NWEDR held a special economic development and regeneration workshop with Cabinet, officers and the Chairman / Vice-chairman of the Bromsgrove Economic Development Theme Group to consider the initial findings of the review of the local economy and its wider geography. Furthermore, a presentation was subsequently given to a meeting of the Economic Development Theme Group in January 2017 and to the Council's Overview & Scrutiny Board at its meeting in February 2017.
- 3.14 This work was then followed up with a paper from Brendan Nevin which set out a strategic 'economic narrative' that provided an independent assessment of the challenges and opportunities faced by the district and a proposed routemap to enable the Council to drive forward a new economic future for Bromsgrove. A full version of the economic narrative is attached at Appendix 2.

In brief, the key challenges and opportunities can be summarised as follows:

<b>Challenges</b>	<b>Opportunities</b>
<p><b>Employment growth</b> Over the period 2009-2014 the Bromsgrove economy stagnated registering zero net employment growth; this contrasts with areas surrounding the district such as Warwickshire and Solihull growing by 11% and 15% respectively.</p> <p><b>Labour supply &amp; skills</b> The district is heavily dependent on a mobile labour force for its prosperity with significant flows of labour on a daily basis into adjacent local authority areas.</p>	<p><b>Economic geography</b> Bromsgrove is within a defined growth node to the south of Birmingham; significant levels of investment are planned in and around this area over the next decade which will reinforce the importance of the southern part of the West Midlands as an economic driver for the region. Bromsgrove has the opportunity to play its part in this growth.</p> <p><b>Local Government Finance</b> Due to the reforms in local government finance; areas that actively seek growth</p>

<p><b>Local wages</b> There is a disparity between average local wages and resident wages; those who live in Bromsgrove have high weekly earnings; however when those who travel outside of the district for work are discounted, the average wage decreases. In 2015, local wages were 72% of the average resident's wages and the sixth lowest in the West Midlands region.</p> <p><b>Economic activity and employment;</b> The economic activity rate in Bromsgrove has decreased from 86.8% to 78.9% in 2016; this being caused by 3,300 workers leaving the labour market. Furthermore, the employment rate has fallen from 83.4% to 75.4% which implies that those who have left the labour market were working prior to exit – this downward shift could be explained by the data that relates to demographic change.</p> <p><b>Housing market</b> There is an imbalanced housing market and rising affordability issues particularly for low earner and median income householders; the property to annual income ratio in Bromsgrove is approximately 10.8:1 – generally a ratio of 4:1 is considered to be affordable.</p> <p><b>Demographics</b> Bromsgrove has an ageing population which has implications for the local labour market and the type of services and support required by residents going forward; of the 30 local authority areas in the region; Bromsgrove has the tenth lowest proportion of residents in the 16-64 age group (the working age population).</p> <p>Furthermore, the largest negative changes in population between 2001 and 2011 were in the 30 – 39 age</p>	<p>are to be incentivised through the retention of business rates from 2020. This provides the Council with an opportunity to pursue a growth led agenda as a way of sustaining public services going forward.</p> <p>Furthermore, there is an opportunity for the Council to use its own borrowing powers to drive forward economic growth capitalising upon favourable interest rates.</p> <p>Economic growth could help to retain and attract a younger labour force if it is supported by a housing strategy that aims to rebalance the housing market.</p> <p><b>Entrepreneurial culture</b> There is a strong culture of setting up businesses in Bromsgrove; 2015 data shows that 580 businesses were set up in Bromsgrove. There is an opportunity to further exploit this strength and establish the district as a place where new businesses can set up and grow.</p> <p><b>Government policy</b> The Government has recently published its Industrial Strategy Green Paper which sets out the Government will work to increase productivity and economic growth across the country. The Government is also currently consulting on its Housing White Paper which sets out a range of measures to stimulate the building of more affordable homes and new funds to drive delivery of new housing from smaller developers, including support for off-site construction. There is an opportunity for the Council to consider how it could benefit from the proposed measures in each of the papers.</p> <p><b>Town centre renaissance</b> The new Centres management approach has significantly improved</p>
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groups. Population projects from the Office of National Statistics (ONS) for 2015 to 2024 show a further fall of 2,000 people aged 20 to 54 and a growth of 8,000 people of the 54 – 90 age group.

**Land and property availability;**

Bromsgrove is a Green Belt district, with approximately 90% of the area designated as Green Belt; therefore major employment sites are located in and around Bromsgrove Town and Longbridge. However, there is currently a lack of immediately available quality office and industrial stock that can meet the needs of expanding local businesses and potential inward investors. Lack of supply could act as a deterrent to investment and also drive up land and property values limiting opportunities for existing local companies to expand locally.

**Infrastructure**

Bromsgrove benefits from a central location and close proximity to the Midlands motorway network. However its internal transport infrastructure is in need of significant investment to ensure that it can meet current and future demands. In particular, the road network continues to suffer from increasing delays and congestion especially at peak times on key links and junctions. This results in increased costs to residents and businesses and can act as a deterrent to inward investment. Bromsgrove has recently benefitted from investment in a new Railway Station, however there is a need to maximise the impact of this investment by improving car parking usage at the site, cycling facilities and onward bus services.

the Council's relationships with stakeholders in the key centres and provides the opportunity to develop new initiatives that increase the vibrancy and vitality of the centres.

Re-development projects in Bromsgrove town centre are attracting new investment, generating new jobs and an uplift in business rates and improving confidence in the district as a place to live, work and invest.

The development of a stronger economic base for the district should in turn act as a catalyst for further investment in the district's cultural and leisure offer.

**Partnership working**

The district is a member of two Local Enterprise Partnerships (Worcestershire and Greater Birmingham & Solihull); the Industrial Strategy advocates a stronger role for LEPs going forward in delivering economic growth; this means that the Council should be in a position to benefit from any new LEP wide initiatives or funding streams

**High skills base**

The district can offer a highly skilled and flexible workforce which is a key asset and should be used to drive more investment into the district. The opportunity exists to reverse the current 'brain drain' by creating higher skilled and higher paid employment opportunities within the district.

<p><b>Centres</b> Bromsgrove town centre is experiencing leakage of expenditure to neighbouring centres and other centres such as Rubery are facing similar difficulties.</p> <p><b>Local Government Finance</b> The reduction in local government spending power and elimination of the Revenue Support Grant is placing pressure on the Council to be able to sustain service delivery at its current level.</p>	
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- 3.15 The recent Government policy consultations on the Industrial Strategy Green Paper and Housing White Paper also act as a potential driver for change to the local economy and housing market. In the Industrial Strategy Green Paper, the Government identifies ‘ten pillars’ that it believes is important to drive forward economic growth, these include; investing in science, research and innovation, developing skills, upgrading infrastructure, supporting businesses to start and grow, encouraging inward investment and cultivating world leading sectors. Within the paper, the Government sets out its intention to invest in these areas and strengthen the role of existing bodies such as the LEPs. The headline proposals will potentially present opportunities for Bromsgrove and a re-alignment of the district’s economic strategy will ensure that the Council is well placed to positively capitalise upon them.
- 3.16 Furthermore, the recent Housing White Paper sets out a range of proposed measures to increase the supply of new homes, accelerate housing delivery and diversify the housing market. Whilst some of the proposed measures are aimed at improving the plan making process and the way that local planning authorities plan for new homes, the Government sets out a range of measures to assist Councils to bring forward new sites quicker including a new Accelerated Construction Programme and initiatives such as the £1.2bn Starter Home Land Fund to increase the supply of Starter Homes as part of a mixed package of affordable homes. Again there will be opportunities that will flow out of the White Paper that should help to address the imbalance in the local housing market

**Managing social and economic change in Bromsgrove – proposed direction of travel**

- 3.17 The economic narrative identifies the premise that over the next 15 to 20 years, Bromsgrove is likely to significantly change due to a variety of factors including changes in demographics, planned investment in the economic growth corridor that the district sits within, imbalances in the housing market and radical changes to local government finance and public policy.

- 3.18 In essence, the future sustainability of Bromsgrove as a place with a balanced age profile and residential and business community is at risk unless positive and pro-active policies are developed that address head on some of the underlying issues that are affecting the district's economy and housing market.
- 3.19 Cabinet is being asked to not only note and endorse the economic narrative at Appendix 2 but to agree a new direction of travel for the Council's economic strategy and indeed its overall approach to driving forward economic growth both in a direct capacity but also by creating the conditions for economic growth and investment to flourish.
- 3.20 The prevailing economic climate, forecasted demographic change and the very real threats faced by the Council in terms of its financial sustainability mean that the Council has no option but to chart a new course and pursue an agenda which puts economic growth at the heart of its strategy.
- 3.21 Based on the data that has been examined by officers and presented to Cabinet and the direct feedback from our business leaders, the strategy that Bromsgrove is simply a 'dormitory district' does not provide a sustainable future for residents and businesses. Bromsgrove is indeed a good place to live and provides a high quality of life to its residents but the district has an ageing population and more needs to be done to develop the district as an economic centre and to encourage our younger families to stay in the district and to attract more highly skilled people to live and work in Bromsgrove.
- 3.22 Going forward, Cabinet proposes that the Council's economic strategy will be focused on the following 9 strategic priorities. Cabinet also proposes to bring forward a range of 'early actions' to drive forward the delivery of these priorities, which are attached at Appendix 3.

**1. Driving economic growth**

The Council will work to position the district as an 'economic hub' that is part of a highly successful growth node located around the M5/M42/M40 corridor, building on and strengthening its existing assets;

**2. Improving connectivity**

Leading the drive to improve the district's internal infrastructure and working with Worcestershire County Council, LEPs and other bodies to consider and bring forward radical solutions to address the congestion on our highway network, to increase usage of public transport and connectivity to opportunities such as HS2 and release opportunities for growth; this will require significant and long term investment in our network;

**3. Supporting businesses to start and grow**

Ensuring that more space is provided for businesses to start up a business and existing businesses to grow and inward investment to flow into the district and those businesses can get access to the support that they need through our NWEDR service and Growth Hubs.



**4. Re-balancing our housing market**

Re-balancing the housing market to ensure that the supply of quality affordable new homes is increased for younger people and families thus retaining skilled young people in the district and capitalising upon the new funding streams and policies being championed by the Government in its Housing White Paper.

**5. Developing key sectors**

Considering new opportunities to develop high value sectors and industries in the district and examining opportunities to work in collaboration with Universities and Research Institutions to encourage innovative new ventures to locate and grow in Bromsgrove;

**6. Driving up and retaining skills locally;**

The focus should be improving the skills levels of the workforce to meet the needs of growing local companies, particularly those in key sectors and to also ensure that highly skilled residents can access appropriate job and career opportunities within the district, rather than having to travel out of the district to find suitable work in adjacent economies;

**7. Improving our centres**

Capitalising upon the renewed confidence in Bromsgrove Town Centre as a place to invest and further developing its retail, cultural, commercial and residential offer; working to develop our other key centres, ensuring that they continue to be vibrant and competitive;

**8. Partnership working**

Maximising all of the opportunities offered by partnership working including the district's membership of the two Local Enterprise Partnerships that it sits within and lever external funding where required;

**9. Leading by example**

The Council will do all it can in its role as a community leader to drive forward the growth agenda using its own resources to invest in projects that create jobs, housing and investment, where there is a strong business case in place; the Council will also review its own plans and policies to ensure that they are fully aligned to the new growth agenda and work towards ensuring that there is a corporate wide approach to securing growth.

3.23 As a result of these economic priorities; the Council will work towards achieving the following measures:

- Increase in local wages and working towards narrowing the gap between average resident earnings and average workplace earnings;

- Increase in the affordability of homes particularly for younger people and aspiring families – reduction in the ratio of median house prices to median income;
- Increase in the economic activity rate for the working age population;
- Increase in net private sector employment; ensuring that the Bromsgrove economy registers positive job growth during the next 5 years;
- Reversing current commuting patterns with a reduction in net outward commuting ensuring that local skilled labour can access suitable employment locally;
- Increase in consumer expenditure in Bromsgrove Town Centre and reduction in leakage of spend to adjacent to centres.

3.24 These measures will be added onto the Council's dashboard with baseline data entered and will be regularly monitored by the Corporate Management Team and Cabinet.

**Customer / Equalities and Diversity Implications**

3.25 It is anticipated that delivery of the new Economic plan will have positive benefits to disadvantaged local residents by assisting them to access employment and training opportunities.

**4. RISK MANAGEMENT**

4.1 There is a risk to the future sustainability of the Bromsgrove economy if the Council decides against pursuing a growth led strategy. By agreeing to the direction of travel set out in this report, the Council will be taking the first steps towards addressing some of the underlying issues within the local economy. It is proposed to set up a risk register to ensure that the key issues in this report are monitored and managed going forward; this will include the assessment of key economic and demographic indicators.

**5. APPENDICES**

Appendix 1 – Current Bromsgrove Economic Priorities / Action Plan – progress against delivery

Appendix 2 - Economic Narrative

Appendix 3 – new Bromsgrove Economic Priorities – Early Action Programme

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