

Achieving Long Term Sustainable Growth in Bromsgrove: The Challenges and Opportunities in a Time of Rapid Change

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1. Introduction and Context

1.1 The local economy and labour market which underpins the relative affluence of Bromsgrove is supported by a number of advantages which have developed over the last four decades:

- The district is located in a now long established growth corridor which originates in Birmingham City Centre and encompasses the university, airport and a thriving high value employment market which is located adjacent to the M40/42.
- Increasingly this corridor provides a link to the vibrant South East of England.
- The economic advantages bestowed to Bromsgrove by location are reflected hither to predominantly in healthy local labour market indicators such as high employment rates and incomes.
- This paper will however demonstrate that the locality is entering a period of change as the structure of the local and regional economy is transformed by market forces and public policy. This change is already underway and will continue to impact upon Bromsgrove and its existing community even if the local authority does not introduce new policies and interventions which can embrace and foster an enhanced level of economic growth.

1.2 The Council will need to take into account the new dynamics which are emerging as it considers forging policies not just for the remainder of this decade, but also for the period post 2020. At a national level the country is in a period of transition as it plans to leave the European Union, but it is also continuing to manage a public sector deficit until at least 2020/21 and a current account deficit which at 6% is currently the highest in the developed world. *Because of this backdrop the direction of travel for public policy is clear- nationally economic growth is the absolute priority and localities are expected to contribute to this by growing local economies, increasing competitiveness from the bottom up and through increasing their tax base.* This shift in government thinking is reflected in the philosophy of “localism” which has seen a withdrawal of centrally funded subsidy for services with a greater reliance on local growth and taxes to support the local community.

1.3 Public Policy has therefore:

- Incentivised localism and growth through the reform of local authority finance- leading to a projected negative subsidy entitlement for Bromsgrove in future;
- Promoted devolution to allow for the design of local solutions to address local issues and capture opportunities;

- Supported devolution of powers and funding streams to the West Midlands with the creation of a West Midlands Combined Authority. This new organisation has developed a potentially powerful economic development strategy supported by Central Government which is based upon strengthening growth nodes which are predominantly located in a corridor south of Birmingham City Centre which encompasses Bromsgrove District.

1.4 Securing local economic growth is central to the ability of a locality to provide high quality services and to support the needs of a growing population. But this begs a series of critical operational and political questions such as: What type of Growth? Who will benefit? What are the social and economic costs associated with an enhanced level of economic activity? And critically- What happens if we do nothing above our current policy interventions and frameworks?

1.5 This last question is central to this paper as the evidence suggests that significant change will occur in Bromsgrove even given a “do nothing “ policy scenario . The shape of the West Midlands economy is undergoing a significant geographical shift and the demography of the district is ageing with a knock effect on local economic indicators, which although relatively healthy, have started to deteriorate. The following narrative sets out the evidence in relation to recent trends in economic performance and demography. This is followed by a description of the economic and demographic forces which will shape the area looking forward and a brief analysis of the potential benefits, opportunities and trade-offs which face the Council and its partners in the short to medium term. The paper concludes by looking at the Tool Kit and early actions which can harness sustainable economic growth, and this section is based upon the proposition that the district will seek to shape the forces of change which are likely to present and ensure that the outcomes/benefits are both sustainable and equitable for the local population. Given the changes to local authority finance which have occurred over the last six years a further key objective would be to ensure that growth generates sufficient finance to ensure that the District Council can continue to provide excellent services to its residents.

2 Recent Trends in Economy and Demography: Implications for Bromsgrove as a Place to Live, Work and Invest

2.1 The high level data shows that Bromsgrove is home to a highly successful labour force where employment levels are amongst the highest in the West Midlands region. Skills levels are also higher than the regional and national averages and in 2015 average gross weekly earnings for residents were the highest of the 30 local authorities in the West Midlands. The local economy has also generated a growth of 475 micro enterprises since 2010, and registered the 4th highest growth in productivity of the 66 city region local authorities over the period 1997-2014 (ONS 2016b). The high level data does however disguise some emerging underlying weaknesses in the local economy which illustrate the need to avoid complacency, for example consider the following indicators:

- *Growth in Employment Following the Recession*- Over the period of economic recovery 2009-2014 both the North Worcestershire and Bromsgrove economies stagnated registering zero aggregate job growth. This performance of the jobs market as a whole masks a better performance by the private sector which registered a growth of around 3.5% to offset reductions in the public sector. The areas which surrounded North Worcestershire performed more strongly with Warwickshire and Solihull growing its employment base by 11% and 15% respectively, while Worcestershire as whole experienced a 3.4% increase which was focused in the south of the County
- *Local Growth and Birmingham*- Bromsgrove is dependent on a mobile labour force for its prosperity with significant flows of labour on a daily basis occurring into adjacent local authorities. The largest flows are into Birmingham and the economic performance of the city has and will have a disproportionate impact on the local economy of Bromsgrove. The City has performed poorly in recent years with a recession in employment which dates back to 2005 when the exchange rate was relatively high and the UK experienced a contraction in manufacturing activity which was masked by a growth in services. These structural changes have meant that employment has only grown by 1.4% since 2005 despite a large increase in the working age population, this is a poor performance compared to other “Core Cities” such as Leeds and Manchester which deindustrialised earlier than Birmingham. Because of the resilience of the local labour force Bromsgrove was not directly impacted by the poor performance of its huge neighbour in respect of high employment and income levels, however indirectly Birmingham’s relative economic decline meant that the locality was not subject to the same scale of development growth that areas adjacent to more successful major cities were in this period. The Bromsgrove area was of course also directly impacted by the closure of Longbridge which will also have reduced aggregate *local* employment. The development trajectory of

Birmingham is an issue considered when assessing the future potential of the Bromsgrove economy in the next section of this paper.

- *Local Wages*- It is evident when looking at the wages of those who work *within* Bromsgrove that there is a distinction to be made between the performance of the local labour force and the local economy. Those who live in Bromsgrove have a relatively high weekly earnings, however when those who travel outside the district for work are discounted a different picture emerges. Local wages were 72% of the average resident's wages in 2015 having fallen to 80% in 2013. Local wages were the sixth lowest in the region in 2015 although a significant recovery has been registered in 2016;
- *Comparative Earnings and House Prices*- The weekly average earnings for residence and workplace are highlighted in Figure One overleaf. These figures for 2016 reflect a recent recovery in local wages but they are still lower than all but two of the surrounding areas, and go some way to explaining the levels of lower quartile house prices to lower quartile earnings which are the highest in the West Midlands
- *Economic Activity and Employment*- The economic activity rate has fallen from 86.8% in 2013 to 78.9% in 2016 this being caused by 3,300 workers leaving the labour Market. This reduction in the labour force has been accompanied (not surprisingly) by a fall in the employment rate from 83.4% to 75.4%. This implies that those who left the labour market were working prior to exit rather than being discouraged by unemployment. The reasons for this downward shift in employment may be contained within data relating to demographic change.

2.2 Bromsgrove has an ageing population, and this has implications both for the local economy/labour market and the type and quantum of local services and support required by residents going forward. The current baseline contains some stark statistics:

- Of the 30 Local Authorities in the West Midlands Region Bromsgrove has the tenth lowest proportion of residents in the 16-64 age group;
- Four of the local authorities in the bottom ten on this indicator are located in Worcestershire while two others, Herefordshire and Stratford upon Avon sit adjacent to the County;
- The largest negative changes in population 2001-2011 were in the family formation cohorts- 30-39 age groups;
- Office of National Statistics projections from 2015 to 2024 show a fall of 2,000 people aged 20-54 and a growth of 8,000 in the 54- 90 year old groups. In this context it should be expected that the labour force will shrink unless the trends to early retirement by higher skilled groups are reversed (ONS 2016c)

2.3 There is a clear link here between economic and housing policy. Worcestershire has generally under performed in terms of economic development given its geographical location in a growth corridor, and unless younger groups can be encouraged to live locally then the labour market of the future may not be fit for purpose for the needs of existing business and inward investors. Figure One shows how difficult it is for low and median income households to secure a foothold in the Bromsgrove property market with property to annual income ratios of approximately 10.8:1. Generally a ratio of 4 to 1 is considered to be affordable, and this is reflected in the lending policies of most financial institutions.

Summary and Implications

2.4 A historic overview of the development of the local economy of Bromsgrove is dominated by the strong performance of the labour market, high resident wage levels and sustained levels of employment. There are however signs of change in locality driven by demography which is weakening that labour market. Additionally a deeper dive into the local economy exposes weaknesses which will become more evident as the need to generate resources locally to fund public services intensifies. Bromsgrove is characterised by uneven local economic development which extends beyond the emerging demographic imbalances and its impact on the labour market. Local employment is only sufficient to employ 69% of the working age population- this being 9% adrift of the regional average, and the work which is located in the district pays relatively low wages. This in turn has exacerbated the crisis of affordability in the local housing market for first time buyers and lower wage groups. These factors when considered together pose a significant challenge to maintaining a sustainable community which generates the resources to fund an excellent level of public service provision going forward.

Figure 1. Earnings and House Prices

	Earnings by residence 2016 £	Earnings by work place 2016 £	Lower quartile house prices to lower quartile income 2015	Median house prices to median income 2015
Bromsgrove	592.10	494.80	10.78	10.81
Redditch	436.40	468.80	7.62	6.82
Wyre Forest	497.10	434.90	7.18	6.93
Worcester	545.90	505.90	7.44	6.99
Wychavon	529.70	514.80	8.77	9.06
Solihull	616.70	586.80	8.45	8.07
Birmingham	497.40	544.30	5.49	5.16
West Midlands	n/a	510.20	n/a	n/a
Great Britain	541.00	540.20	n/a	n/a

Source: ONS (2016c and DCLG 2016 Live Table 576)

3 Looking Forward: The New Economy of the West Midlands

- 3.1 Economic geography changes constantly as employment sectors transform, society evolves, and new consumer preferences emerge. Additionally the competitiveness of localities are impacted by national and international trends and national and local public policy initiatives. A stable state for local economies has never existed in the modern era and the major question policy makers need to ask is “what changes are likely to happen in the short to medium and how extensive will they be?” It is rare for horizon scanning to be totally accurate however it is possible to identify the major factors which are likely to drive change over a reasonable timescale (say ten years). Applying this question to Bromsgrove, it is apparent when looking at the national and international issues now faced by the UK and the reshaping of the West Midlands economy planned by local and central government in partnership with the private sector, that the speed and extent of change of economic and spatial development is likely to accelerate considerably in the short and medium term compared to that experienced over the first fifteen years of this Century.
- 3.2 As highlighted earlier the West Midlands economy has already evolved into a southward facing region in respect of economic prosperity, with high levels of employment being located in growth nodes in and around Birmingham city centre, the A38 corridor, the airport and M40 corridor. Investment plans expected to mature over the next decade will have the impact of substantially reinforcing these recent historic trends in development. The two driving forces behind this consolidation and enhancement of growth are the recovery of the Birmingham economy and the planned public/private sector partnerships being developed by the West Midlands Combined Authority (WMCA). Each of these driving forces are set out below.

A Strong Recovery in the Birmingham Economy

- 3.3 During the first decade of the Century the Birmingham economy under performed in comparison to most major UK cities. This underperformance was related to its relatively large manufacturing base which was still intact as the new millennium emerged. The city was therefore experiencing a different economic cycle to some of the comparator cities which had already shifted to economies which were almost entirely service dominated. Subsequently the city has engaged with extensive redevelopment and regeneration which can be seen within and adjacent to the Bromsgrove boundaries at Longbridge, in East Side and within the city centre itself. The last few years have seen an increase in foreign direct investment, confidence is improving and since the end of the recession in 2009 employment has increased by nearly 12% from its lowest level.
- 3.4 The city is therefore recovering from its second phase of deindustrialisation, but in doing so it is decoupling further from its historic economic linkages with the Black Country and reinforcing its labour market and connections with transport infra structure to the south, including Bromsgrove.

The Strategic Economic Plan for the City Region

3.5 The WMCA has set a number of highly ambitious targets for the City Region over the period to 2030 which include creating 500,000 additional jobs, reducing the travel time between Birmingham to London to 38 minutes and eliminating the £3.9bn annual spending gap between tax receipts and public expenditure. A close examination of the Strategic Economic Plan (SEP) and Investment Prospectus (WMCA 2016a and b) illustrates that growth in the south of the region will have a disproportionate impact in achieving these objectives. An analysis of the major proposed investment project shows:

- 13 of the proposed investment schemes are residential led- however ten of these are located on sites to the north of Birmingham city centre, this reliance on housing investment reflecting the relative weakness of the economy in these areas;
- Of the 29 employment led schemes, 20 are in Birmingham City centre, the Corridor from the City to the airport, Worcestershire and Warwickshire.

3.6 The scale of some of these proposals are significant at a national level and the schemes which will have either a direct or indirect impact on Bromsgrove include:

- The HS2/Curzon Street development will generate significant employment but also provide an enhanced link to London which will be under half an hour from Bromsgrove station;
- The Smithfield development and extension to the City Centre;
- The Snow Hill development – the largest speculative development outside London;
- The Birmingham Life Science Park on the A38 Corridor;
- The airport hub at Solihull has in the long term, 1,300 HA available for development, and £900 million of investment has been secured for the first phase of the project
- The MIRA Science Park in Warwick
- Redditch Eastern Gateway and Bromsgrove Enterprise Park
- Although not a WMCA investment project the £1bn regeneration of the Longbridge the 500 acre site is also of a scale which makes it nationally significant

Summary

3.7 The economic corridor within which Bromsgrove is located is set to capture billions of pounds of public and private sector investment in economic development and infra structure over the next fifteen years. This scale of economic development will reinforce the shift in the importance of the south of the West Midlands and confirm a two tier regional economy in spatial terms with the city centre forming the northern boundary of the fast track locations. The era of growth in the south of the West Midlands will pose a number of questions in relation to the future role which Bromsgrove will play within it. It is clear however that the markets for land, labour and housing will be impacted by the scale of investment envisaged and that a do nothing option by policy makers will not prevent major change occurring. This is an issue which is elaborated below.

4 Managing Social and Economic change in Bromsgrove: Opportunities, Threats and Trade- offs

4.1 There are a number of significant opportunities which will present themselves to businesses, residents and the local authority. For the Council there is the potential to encourage the growth of indigenous economic activity which supports the growth of the tax base. This local growth may also help retain and attract a younger labour force if it is supported by an inclusive housing strategy. The development of a stronger local economic base with a larger local workforce will also assist with the place making tasks as the locality seeks to upgrade its leisure and retail offer and retain a greater proportion of consumer expenditure within the local authority boundaries. These opportunities have to be seen in the light of local challenges. Additional development would need to be seen to benefit the existing community as well as inward movers- inclusivity is key to consent to growth. Land use policy is a sensitive issue and any reviews need to be environmentally sustainable and not materially damage the quality of life for residents. There will need to be debate with trade- offs clearly identified when policy changes are considered.

4.2 There is of course the option for the local authority to do nothing above the existing locally derived policies for planning ,economy and housing over the next five or ten years. This however is unlikely to prevent significant change in Bromsgrove it will just mean that the locality will have a sub optimal role in shaping the outcomes from adjacent economic growth. This however is unlikely to happen as Members have already highlighted a willingness through discussions on the Local Plan to review land for development post 2030, this being prior to consideration of how the economy is likely to be transformed in the next decade. A point of consideration is therefore - does the review needs to consider land allocations prior to that date given that the WMCA strategy will have been substantially delivered by 2030?

4.3 The need for an earlier review date is based on the following premise:

- Given the scale of proposed development and investment in the wider area market forces will facilitate changes in land values , end use , and population flows irrespective of existing public policy frameworks;
- A prime example of this process would be the spill over effects of the growth in higher paid employment in Birmingham city centre which will increase demand and boost the value of the Bromsgrove housing market further;
- Flows into Bromsgrove from the growth of Birmingham city centre are more likely to be established professionals, who are also likely to displace younger Bromsgrove residents to some degree;
- The growth of employment in the area from Longbridge around to the Solihull Hub is likely to have an impact on the value of land as they mature as business locations and provide a foci for growth in services, hotels, logistics and population
- If Bromsgrove did not review its land allocations to compliment and integrate with the changing sub regional economy displacement may occur as land values rise and as result existing businesses may be forced out.

4.4 The basic premise here is that if the sub region develops as planned Bromsgrove will change , either in a way which is shaped by the Council using new policies for a new environment, or it will change as new market forces over ride existing policies, potentially producing some adverse and unintended consequences for the existing community.

4.5 This vista raises questions about how public policy can respond in a proportionate way which reflects the opportunities and constraints in the locality to develop a sustainable approach to economy and place in Bromsgrove, whilst also having a realistic view of timescales, resources and the policy tools which are available to harness change.

5 Securing Sustainable Growth and a High Quality Place: The Tool Kit and Early Action/Change Programme

- 5.1 Assuming that the Council decides to shift its policy frameworks to develop its locational advantages within a framework which supports, sustainable communities, economic development and a high quality place, its immediate challenge will be to manage a transition from a framework which primarily uses the statutory planning system to *regulate and facilitate* economic change to one which directly and proactively *promotes and develops growth* in the right circumstances. This new corporate approach will have some upfront resource requirements but more importantly an early action programme would also need to be developed which engenders confidence in delivery and community benefit. This requires a vision for Place as well as economy, and a strategy which ties together economic, planning and housing policy and associated interventions with an eye to maximising local benefits.
- 5.2 As localism has developed since 2010 so has the policy and financial tool kit which supports local growth. The deployment of this tool kit is essential if the Council is to be successful in leveraging additional resources to develop Bromsgrove, improve its infrastructure and support its affordable housing offer. In the medium to longer term the cost of providing adequate infrastructure to support growth is high and success will be dependent upon regional and national agencies “buying into” the local growth agenda and providing investment to complement resources raised locally. Securing this buy in is a prerequisite (and an expected building block) for a successful growth strategy and the successful delivery of an Early Action programme is significant to achieving the confidence of external investors.
- 5.3 A selection of significant interventions and policy/financial tools which can assist with the delivery of the growth strategy are set out below.
- 5.4 *Prudential Borrowing*- The ability for local authorities to borrow at exceptionally low interest rates to fund economic development and develop the revenue base is now being used extensively by local government. The deployment of these resources is frequently being designed to ensure that the council derives an increased revenue stream from the investment within a well-defined payback period. Examples of such investment include projects as diverse as the development of business parks, hotels, licensed premises, infrastructure which generates tax paying development and land assembly. The deployment of this power to act requires an acceptance of risk and the new entrepreneurialism which central government now expects from local authorities. In some areas, Councils are taking this further and establishing Local Authority Trading Companies and/or public-private partnerships to drive forward regeneration schemes and return revenue back to the authority; there are numerous examples of where Councils have innovatively used their borrowing powers to lever in private investment and create sustainable income streams, whilst ensuring that the risk is managed appropriately.

- 5.5 The Council may wish to consider creating an 'capital investment fund' which provides it with the facility to borrow up to an agreed limit and invest these funds in commercial, housing and retail schemes that deliver economic growth but generate a return to the Council.
- 5.6 *Community Infrastructure Levy-* Resources which can be raised from developers through the planning system can be reinvested to provide community facilities and benefit
- 5.7 *Review of Land Use Planning-* Following the adoption of the local plan it may be prudent to review its land use assumptions in the light of the new economic context. There are already examples where the planning system has creatively reviewed allocations of brown field and land which is under-utilised in the Green Belt to secure high quality business development. The Council is committed to undertaking a full scale Green Belt to identify future development sites but it should be willing to undertake a more fundamental review of its land use policies including employment land allocations for the period post 2020.
- 5.8 One example of appropriate and good quality Green Belt development is the Topaz Business Park which was developed on the site of former farm buildings to produce 45,000 sq ft of office space in ten units for high value added companies. A review of land use should test if this type of creative reuse/designation of land could support the growth agenda,
- 5.9 *Maximising Resources from partnership working-* As a principle this is applicable to investment approaches for all programmes, projects and sites. However, at the strategic level the opportunity to secure significant resources would be most effectively delivered through a partnership with the WMCA, and through that avenue with central government
- 5.10 *Business Friendly service delivery-* The council should provide a one stop shop for business underpinned by a commitment to deliver a high quality service which seeks to deliver growth- this service should be reviewed with the objective of testing the system to see if service adjustment is needed.
- 5.11 *Review of the skills needs of the Local Economy-* The council should work with partners to ensure the right skills are available to capture growth, and boost the incomes of those who live and work locally;
- 5.12 *Rethinking the cultural, retail and leisure offer for a new environment-* The local economy of Bromsgrove does not capture the full benefits of housing a successful high income labour force. This is because there is a considerable leakage of consumer expenditure to adjacent economies because the retail and leisure offer is comparatively poor compared to the purchasing power of its residents. If the council seeks to build a vibrant more self-contained and sustainable place it will need to rethink this offer and assess how it can use its enabling powers to move it on;

- 5.13 *Managing the Residential Market*- The Government have assembled a £7bn fund to develop affordable housing in this Parliament. This fund will primarily support affordable homeownership products through: Shared Ownership; Rent to Buy; and Starter Homes which offer a 20% discount on new build up to a value of £250k for first time buyers aged under 40. Deployment of products like these may assist in retaining and attracting younger workers while addressing the increasingly unbalanced local demographic profile.
- 5.14 Re engineering a corporate approach to achieving sustainable growth needs to be based on a road map which encompasses the major tasks which deliver short, medium and long term objectives. There is some urgency to developing the approach as over the next couple of years much of the resource made available for economic development and housing will have been committed for this Parliament, although a new Comprehensive Spending Review in 2018 may provide an unallocated funding envelope beyond 2020.
- 5.15 Consideration of resources needed to achieve delivery of the early action programme and ensure the Council has the required 'delivery capacity' to build success and engender confidence with investors, partners and the local community. The success of an early action programme supporting an ambitious strategy for inclusive growth will tend to attract additional public sector resources to fund local growth as the district makes a bigger contribution to supporting the sub regional agenda.

6. Information Sources

6.1 All information relating to economic indicators are derived from the NOMIS Data Base which is supported by the Office of National Statistics (ONS 2016a) this data was accessed on 11/1/2016. Other Sources used were:

- ONS (2016b) *Top and Bottom Ten Local Authorities in the Core City Regions for GVA. Compound growth 1997-2014*. Experimental Statistics-quoted in "Inclusive Growth Opportunities" by Ruth Lupton et al. University Of Manchester.
- ONS (2016c) Subnational Population Projections for Local Authorities in England Table 2.
- WMCA (2016a) Strategic Economic Plan.
- WMCA (2016b) Investment Prospectus June 2016