

SUBJECT:	ECONOMIES OF THE FUTURE ANALYSIS
MEETING:	ECONOMY AND DEVELOPMENT SELECT COMMITTEE
DATE:	26TH APRIL 2018
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

1.0 To present the findings to date of the current 'Economies of the Future Analysis' for discussion (Appendix A).

2. RECOMMENDATIONS:

2.1 That Committee provides feedback to inform a Member's workshop to be held on the 11th May 2018.

3. KEY ISSUES:

3.1 Monmouthshire is entering an exciting time in its history. With the approval in the Cardiff Capital City Region ('CCR') to establish a Joint Cabinet to oversee the Region's economic growth City Deal agenda, and the announcement by UK Government to remove the Severn Bridge Tolls in 2018, Monmouthshire is set to be a key economic growth area in the CCR. However;

- Over 40% of the resident population out-commute;
- House prices are rising with South Monmouthshire prices increasing by 10% in comparison to the 2% Wales average over the last five years and average house prices £80,000 more than the Welsh and UK average;
- By 2035 there will be 184% more people over 85 years old whilst population levels of young people are set to diminish;
- The Local Authority's budget is set to decrease by a further £14m over the next four years.

3.2 In order to capitalise on the forthcoming regional opportunities and address our economic issues at a county level, in December 2017 research was commissioned to help the Authority build on its current economic development strategy and identify a new strategy that is future ready. The research takes the Baseline Economic Analysis for South East Wales 2015 and the Monmouthshire Digital Maturity Analysis of 2016 as its baseline data, considers the priorities and actions detailed in the current Monmouthshire Business Growth and Enterprise Strategy and then identifies economic opportunities and growth sectors that will provide jobs for our communities in the future. The research also considers the centrality of Monmouthshire in terms of its proximity to the English borders of the South West including Bristol and Gloucester and the West Midlands on its north-eastern border, whilst also identifying the supporting housing and commercial infrastructure that will be required to facilitate identified economic growth sectors and inform the future Local Development Plan.

3.3 Specifically the research has focused on:

- The most appropriate growth sectors that will provide the economies of the future for Monmouthshire;
- The provision of a detailed observational study of the accommodation and locational needs of the identified growth sectors;
- An assessment of the suitability and deliverability of existing employment sites as identified by the Local Development Plan;
- Other potential employment sites that can be put forward as options for consideration in the Local Development Plan process;
- An indication of the skills sets that will be required to address the growth sector needs and whether it is feasible for Monmouthshire citizens to meet these needs or whether the County needs to look to attract labour from elsewhere, if so where?;
- An assessment of whether current population levels can sustain the economic growth required in the county;
- Potential inward migration required to develop and sustain the identified growth sectors;
- Potential locations for a new settlement that can be put forward as options for consideration in the LDP revision process.
- Modelled scenarios and associated ambition targets, to include current and predicted geodemographic segmentation analysis;
- The additional infrastructure required to service the changing demographic and economic landscape over and above residential and commercial property.
- An assessment of the identified economic and population impact on existing retail sectors, taking account of the 'Monmouthshire Retail Expenditure Forecasts Update 2016' with a view to identifying potential growth and development opportunities for the county; and the
- Impact of inward migration on indigenous population and house prices and the mitigation that will need to be built in to offset any negative impact.

The purpose of the research is to provide a draft, scalable inward investment strategy that will determine the most cost effective method to attract these new growth sectors into Monmouthshire.

3.4 The attached report (Appendix A) provides an overview of findings to date which will form the basis of a Member's Seminar on the 11th May 2018. However, detailed below are some key statistics which have been found to date namely:

- Economy (Gross Value Added) in the last 15 years has performed below its full potential – lower growth than comparators since 2006 - this is mirrored by employment trends;
- Small scale of the economy, when compared to CCR, in terms of population, employment and number of businesses;
- Population age structure is strikingly low on working age groups in relation to comparators which means that it is not geared towards strong economic growth;
- Median age is 48 – the oldest in CCR (Cardiff, the youngest, has a median age of 34) - which if unchanged will result in the future economic inactivity rate growing.

Initial conclusions therefore, are as follows:

- Current employment forecasts are low – driven by low population growth, demographic age profile and scale of economy;

- Significant growth will therefore need to come from out of county i.e. inward migration and inward investment;
- The economy can do better than the baseline but not from its existing structure.

An alternative approach will therefore be required in order to develop radical policies that enable higher economic growth and increase productivity.

4. OPTIONS APPRAISAL

- 4.1 The current Monmouthshire Business Growth and Enterprise Strategy ends in 2020. However, since the production of the last Strategy in 2014, the regional economic landscape has changed significantly with the approval of the Cardiff Capital Region City Deal in 2016 and the planned abolition of the Severn Bridge Tolls later this year. There is therefore a strong desire to consider how to best place the County to capitalise on these significant economic development opportunities.
- 4.2 In addition, as the Authority is currently undertaking a review and revision of its current Local Development Plan (LDP) it makes sense to undertake joint research to ensure that the future LDP is data driven and that both the Planning and Economic Development Services can take intelligent decisions that will enable appropriate development and wealth creation opportunities in the future.
- 4.3 The data provided through this piece of research, will therefore not only be used to identify potential employment sites for consideration in the development of a revised LDP, but will also identify potential locations of a new settlement that can be put forward as options for consideration in the LDP revision process and possibly inform a Strategic Development Plan. When coupled with modelled scenarios of future growth sectors and future skills needs, this research will enable the Authority to identify significant potential growth and development opportunities for the county.

5. EVALUATION CRITERIA

- 5.1 An evaluation assessment is included as Appendix B. No decision is required at this stage as the purpose of the report is to present findings to date of a research exercise and to encourage discussion in readiness for the Member's Seminar on the 11th May 2018.

6. REASONS:

- 6.1 The Monmouthshire Business and Enterprise Strategy is a key document in outlining the Authority's ambitions and ideas to support business growth and build enterprise capacity in Monmouthshire. The Local Development Plan is a key document, providing the legal framework for the development and use of land within Monmouthshire and the context for determining local planning applications.
- 6.2 This joint piece of research is therefore an essential ingredient informing both of these documents to enable the Authority and the County to capitalise on the forthcoming regional opportunities and address our economic issues at a county level. The findings of this research will also be used to inform the Authority's developing Commercial Strategy which will rely upon accurate trend and forecasting data to inform future activities.

7. RESOURCE IMPLICATIONS:

- 7.1 This research has been funded by 50% via the Rural Development Programme with match funding provided by the Authority through the Local Development Plan budget. The total cost of the research is c£33,000.

- 8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):**
8.1 An Equality Impact Assessment has not been undertaken at this stage as the research is yet to be concluded and this report provides an information update only.

- 9. CONSULTEES:**
Senior Leadership Team
Economy and Development Select

- 10. BACKGROUND PAPERS:**
Overview Document of Conclusions to date (Appendix A)

- 11. AUTHOR:**
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- 12. CONTACT DETAILS:**

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Appendix A: Economies of the Future Analysis: Findings to Date

To: Economy and Development Select Committee
From: James Woodcock, Business Insights Manager
Date: 17th April 2018
Re: Economies of the Future Analysis: Findings to Date

Context

Monmouthshire is entering an exciting time in its history. With the establishment of a Joint Cabinet to oversee the Cardiff Capital Region's (CCR) economic growth City Deal agenda and the UK Government's decision to remove the Severn Bridge tolls, the county has the potential to be a key economic growth area in the CCR.

To enable it to capitalise on the forthcoming regional opportunities and realise the county's economic potential, Monmouthshire County Council has commissioned the BE Group to undertake research and analysis that will:

- Help it to develop a new economic regeneration strategy, including identifying economic opportunities and growth sectors that will provide jobs for our communities in the future;
- Inform the Council's review of its current Local Development Plan (LDP) and identify the supporting housing and commercial infrastructure that will be required to facilitate the identified opportunities and economic growth sectors.

Initial Findings

Early data capture, recent trends and forecasts from BE Group evidence the following:

- **Economy (Gross Value Added) in the last 15 years has performed below its full potential** – lower growth than comparators since 2006 - this is mirrored by employment trends;
- **Small scale of the economy**, when compared to CCR, in terms of population, employment and number of businesses;
- **Population age structure is strikingly low on working age groups** in relation to comparators which means that it is not geared towards strong economic growth;
- **Median age is 48 – the oldest in CCR** (Cardiff, the youngest, has a median age of 34) - which if unchanged will result in the future economic inactivity rate growing.

Monmouthshire is a dual economy:

- Occupational profile of residents is skewed towards high skill occupations;
- Resident earnings are higher than workplace earnings;
- Occupational profile of those coming in is different to those going out, inferring that we are importing lower level skills based on the direction of flows.

Current Employment Sectors Analysis:

- **Manufacturing** is relatively large and growing – bucking the national trend;
- **Business and professional and scientific** is growing from a small base and could grow more;
- **Arts, entertainment and recreation** is growing well and is well represented.

Endogenous Economic Growth

Forecasts suggest that endogenous (internal) growth could create approximately 1,200 jobs in Monmouthshire between 2017 and 2037. However, by exceeding this trend the county could realise 3,000 new jobs over this timescale.

However:

- These are still modest numbers, starting from a modest base.
- This will bring about only modest improvements in productivity.

Initial Conclusions:

- Current employment forecasts are low – driven by low population growth, demographic age profile and scale of economy;
- Significant growth will therefore need to come from out of county i.e. inward migration and inward investment;
- The economy can do better than the baseline but not from its existing structure.

An alternative approach will therefore be required in order to develop radical policies that enable higher economic growth and increase productivity.

Drivers for Growth:

In order to achieve this higher growth, Monmouthshire will need to consider:

- Identifying the best routes to draw businesses to the county;
- Reducing out-commuting, currently at 40%– retaining high value occupations;
- Augmenting existing growth sectors;
- Generating population growth;
- Targeting working age growth (particularly under 45 year olds);
- Housing sites – increasing the availability of affordable housing stock to attract 30-45 year olds;
- Availability and quality of employment sites and premises;
- Geographic differences – employment and housing markets.

Next Steps

BE Group are yet to finalise their research and present their findings. In order to assist them in drawing together their conclusions which will inform future strategy development, a Member's workshop has been set for the 11th May 2018 when three potential options/scenarios will be presented.

Evaluation Criteria – Cabinet, Individual Cabinet Member Decisions & Council (Appendix B)

Title of Report:	ECONOMIES OF THE FUTURE ANALYSIS (DRAFT)
Date decision was made:	
Report Author:	Cath Fallon

What will happen as a result of this decision being approved by Cabinet or Council?
What is the desired outcome of the decision? What effect will the decision have on the public/officers?
No decision is required at this stage. The purpose of the report is to present findings to date of a research exercise and to encourage discussion in readiness for the Member's Seminar on the 11 th May 2018.

What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?
Think about what you will use to assess whether the decision has had a positive or negative effect: Has there been an increase/decrease in the number of users Has the level of service to the customer changed and how will you know If decision is to restructure departments, has there been any effect on the team (e.g increase in sick leave)
The report presents findings to date which on completion will inform the Local Development Plan and the future Business Growth and Enterprise Strategy.

What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?
Give an overview of the planned costs associated with the project, which should already be included in the report, so that once the evaluation is completed there is a quick overview of whether it was delivered on budget or if the desired level of savings was achieved.
This is a strategy document which advocates aligning resources and specific funding streams available to the Council to make a difference to the anti-poverty agenda in order to maximise the impact of investments.

Any other comments
