

SUBJECT:	ECONOMIES OF THE FUTURE ANALYSIS
MEETING:	ECONOMY AND DEVELOPMENT SELECT COMMITTEE
DATE:	14TH FEBRUARY 2019
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.0 Following the decision for the Cabinet Member for Enterprise to commission the 'Economies of the Future' analysis'(Appendix A) in December 2017, the Cabinet Member invites Members to discuss the findings with a view to determining the next steps with regard to consideration of an ambition and growth plan for the County. This in in turn will inform the development of the revised Economic Growth and Inward Investment Strategy for the Council. The 'Economies of the Future' analysis is also a fundamental piece of work that will also provide evidence to support the developing Monmouthshire Replacement Local Development Plan (LDP).

2. RECOMMENDATIONS:

That the Economy and Development Select Committee provides feedback to inform a document, prior to consideration at Cabinet in the forthcoming weeks.

3. KEY ISSUES:

- 3.1 Monmouthshire is experiencing a once in a generation opportunity to reconsider its future direction. Monmouthshire's unique border county location, the Council's decision to participate in the Cardiff Capital City Region ('CCR') City Deal, and the UK Government's decision to remove the Severn Bridge Tolls in 2018, all present a rare chance for Monmouthshire to become a key economic growth area in the CCR.
- 3.2 In order to capitalise on these opportunities and address our economic issues at a county level, research was commissioned, in December 2017, to help the Council 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 replacement LDP.
- 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;
- Identification of locational criteria for additional employment, retail and housing sites;
- 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 for a new settlement that can be put forward as options for consideration in the replacement LDP 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 the indigenous population and house prices and the mitigation that would need to be built in to seek to offset any negative impact.

The purpose of the research is to inform a scalable Economic Growth and Inward Investment Strategy that will identify the most efficient and cost effective method to attract new and sustainable growth sectors into Monmouthshire.

3.4 The attached Economies of the Future Analysis – Strategic Direction Report 2018 (Appendix B) presents the rationale for pursuing an accelerated growth agenda for Monmouthshire, rather than continuing to plan for 'on-trend' growth, if such an approach were to be adopted. The report draws from the findings and research of the Phase One documents, namely the Economic Baseline Report (Appendix C); the Property Baseline Report; the Projections Report and the Skills Report (Appendix D). For ease some key statistics from this report are detailed below:

- Monmouthshire's Economy (Gross Value Added) in the last 15 years has performed below its full potential – lower growth than comparators since 2006 which is mirrored by employment trends;
- Monmouthshire has a small scale economy, when compared to other Local Authorities within CCR, in terms of population, employment and number of businesses;
- Monmouthshire's 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;
- Monmouthshire's 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;

- Over 40% of Monmouthshire's economically active resident population out-commute;
- 25% of Monmouthshire's population is 65+ and the proportion of our population over 65 and over 85 are increasing well in excess of the Wales average. Meanwhile the proportion of young people is set to diminish.
- Average house prices in the County are high at £302,514 when compared to the Welsh average of £187,293 (Hometrack October 2018).

3.5 In conclusion:

- The Cardiff Capital Region City Deal presents a generational opportunity for Monmouthshire to prosper and play a central role in regional economic growth;
- In order to fully take advantage of the opportunities of the City Deal, Monmouthshire would need to have a growing, vibrant, high-skilled population; and
- The retail market is an extremely competitive market, with town centre high streets across the UK struggling to respond to the growth of online retailing. Stronger growth in the population could add to the surrounding catchments of Monmouthshire's town centres, increasing the potential customer base;
- The demographic and economic characteristics, including trends in coming years, suggest risks to the Monmouthshire economy without significant intervention;
- Continuing with on-trend growth would mean that Monmouthshire would continue to lose ground compared to other economies;
- The ageing population of Monmouthshire suggests that the County is vulnerable to losing further ground as the working age population shrinks;
- As the City Deal is enacted, it is an appropriate time for Monmouthshire to consider the City Deal's opportunities for the County and how it can be leveraged to address the structural issues that are holding back Monmouthshire's economy.

4. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1 An Equality Impact Assessment has not been undertaken at this stage as although the research has been concluded, a decision regarding its findings is yet to be made.

5. OPTIONS APPRAISAL

- 5.1 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 recent abolition of the Severn Bridge Tolls. There is therefore a strong desire to consider how to best place the County to capitalise on these significant economic development opportunities.

- 5.2 In addition, as the Council is currently producing a replacement 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.

- 5.3 The data provided through this piece of research, will inform the evidence base for both the LDP and a Strategic Development Plan at a CCR level. And, 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.

5.4 The Economies of the Future Analysis – Strategic Direction Report 2018 (Appendix B) presents options and associated action plans to enhance Monmouthshire’s growth potential. The report considers two options as detailed in the Table One below:

Table One: Growth Options

Option	Description	Additional Jobs by 2037
Match UK Growth Rates	Targeted sectoral interventions in MCC to lift underperforming sectors to match UK growth levels. Improvements in productivity. Interventions are focussed on the jobs provision side that would then drive population growth as workers relocate to MCC for the jobs.	+2,900 jobs above 2017 levels
Radical Structural Economic Change	Substantial changes to economy and communities in MCC. Interventions are multi-faceted including sectoral interventions, employment land supply, housing land supply, planning for new settlements. Focus includes targeting a younger population profile in order to increase the working age population. An aspiration of a population growth of about 20,000 persons. The critical mass of population and employment in MCC is increased such that it has a higher on-going profile in the regional economy.	+5,000-10,700 jobs above 2017 levels

5.4.1 As the ‘Match the UK Growth’ option provides merely an additional 2,900 jobs over a 20 year period it suggests that an ‘Aspirational Growth Agenda’ will be needed to address the demographic and economic issues faced by the county. This will require:

- Housing led growth – underpinned by business opportunities;
- The attraction of a younger economically active demographic; and
- A broader range of housing types - wider market appeal & affordability

5.4.2 A Quantum Shift will also need scalability which will potentially require:

- A new Settlement rather than relying solely on housing growth to existing towns;
- Sustainable Garden Towns – Design Quality; and
- Densification in urban areas close to transport hubs;

5.4.3 In identifying suitable growth scenarios, sustainable growth can be achieved at different scales to support local community services and attract employment as illustrated below:

- 1,000 – 2,000 home Urban Extensions – tapping into existing service capacity;
- 3,000 – 5,000 home Garden Village network with larger settlements for larger services (e.g. secondary schools, hospitals etc.);
- 8,000 – 10,000 home Garden Town more self-contained and able to support wider range of local services.

5.4.4 Population led growth will in turn create the following:

Population led growth (indicative)		Labour Demand
20,000	assuming current conditions	3,000 additional jobs
20,000	higher activity/lower commuting	5,000 additional jobs
20,000	max growth/reverse commuting	10,700 additional jobs

6. EVALUATION CRITERIA

6.1 An evaluation assessment is included as Appendix E. The purpose of the report is to present the findings from a research exercise and to encourage discussion in readiness for presentation of report to Full Council in April 2019.

7. REASONS:

7.1 The Monmouthshire Business and Enterprise Strategy is a key document in outlining the Council's ambitions and ideas to support business growth and build enterprise capacity in Monmouthshire. The LDP 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.

7.2 This joint piece of research is therefore an essential ingredient informing both of these documents to enable the Council 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 delivery of the Council's Commercial Strategy which will rely upon accurate trend and forecasting data to inform future activities.

8. RESOURCE IMPLICATIONS:

8.1 This research has been funded by 50% via the Rural Development Programme with match funding provided by the Authority through the LDP budget. The total cost of the research was c£33,000.

9. CONSULTEES:

Senior Leadership Team

Economy and Development Select 26th April 2018

Conclusions drawn included:

- It was felt that getting the right balance is crucial and an integral part of the LDP process.
- Members praised the synergy between planning and economic development colleagues and hoped that would increase positive outcomes.

- The challenges and barriers to growth need to be addressed, namely broadband and this committee will speak to Welsh Government on the 19th July 2018 on this matter (Discussions with Welsh Government remain on-going)
- Affordability and affordable housing is an issue but as raised by a member of the committee there are challenges on both ends of the spectrum.
- Further survey work needs to be done with residents to understand the economic draws for themselves and their families. Inequalities and the need for social mobility to be addressed..
- The development of the curriculum and identifying the skills shortages needs to be focussed on.

Member's LDP workshop 22nd January 2018

10. BACKGROUND PAPERS:

Appendix A: Presentation of Findings to Date

Appendix B: Future Analysis – Strategic Direction Report 2018

Appendix C: Economic Baseline Report

Appendix D: Skills Report

Appendix E: Evaluation Criteria

11. AUTHOR:

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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, revised January 2019
Re: Economies of the Future Analysis: Findings to Date

Context

Monmouthshire is entering an exciting time in its history. With the establishment of 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 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.

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.

Indigenous 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 20-45 year olds;
- Availability and quality of employment sites and premises;
- Geographic differences – employment and housing markets.

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

Title of Report:	ECONOMIES OF THE FUTURE ANALYSIS
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 the findings to date of the current 'Economies of the Future Analysis' for discussion and scrutiny (Appendix A) with a view to determining the next steps with regard to adoption of an ambition and growth plan. This will in turn inform the development of the revised Economic Growth and Inward Investment Strategy for Monmouthshire County Council. The Economies of the Future study will also provide evidence to support the current Replacement Monmouthshire Local Development Plan.

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 Replacement Local Development Plan and the revised Economic Growth and Inward Investment Strategy for Monmouthshire County Council

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.

N/A

Any other comments

