

Worcestershire Local Economic Assessment 2010-2011: Key Issues Consultation

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1 Background

The Local Democracy, Economic Development and Construction (LDEDC) Act 2009 places a new statutory duty on all upper tier and unitary authorities to prepare an assessment of the economic conditions of their area from the 1st April 2010.

Worcestershire County Council is responsible for developing the Local Economic Assessment (LEA) for the county.

The LEA will provide local authorities and partners with a comprehensive picture of local economic conditions and priorities. This will strengthen their ability to develop policies in all service areas which have the potential to impact positively upon the local economy and to support and encourage business growth, contributing to the delivery of sustainable economic development and regeneration.

2 Consultation document and consultation questions

Section 5 of this document outlines some of the factors likely to influence the Worcestershire economy in the coming years. We have included political, environmental, social, and technological factors and reflected on the county's strengths, weaknesses, opportunities and threats.

However, we are keen to ensure that our interpretation is in line with the key issues as your service/organisation/business sees them. Consequently, through this consultation we are asking:

- 1) **What does your service/organisation/business consider to be the main barriers to growth in the Worcestershire economy?**
- 2) **What does your service/organisation/business consider to be the main opportunities that could be exploited in Worcestershire during the recovery?**
- 3) **What does your service/organisation/business consider are the key issues which should be reflected in the Local Economic Assessment?**

3 Useful documents

You may find the following documents useful in formulating your response.

Worcestershire County Council has produced an economic assessment for 12 years. The latest version (2009-2010) is available from:

www.worcestershire.gov.uk/EconomicAssessment

Worcestershire County Council publishes a document which provides the latest unemployment data, local and national news stories and other economic indicators on a monthly basis:

www.worcestershire.gov.uk/EconomicSummary

4 How to respond

Although the Local Economic Assessment will cover a broad range of topics and issues, the primary focus is on the economy. We therefore ask respondents to explicitly state the links between issues they wish to raise and the Worcestershire economy.

Worcestershire County Council Service Areas

Please submit a single, coordinated response for your Service Area.

Businesses/Charities/Voluntary and Community Sector Organisations

Please submit a single, coordinated response for your organisation.

Public Sector Partners

Please submit a single, coordinated response for your organisation.

Public

The consultation is open for the public to make contributions.

You can submit your responses via our web-survey form available at:

www.worcestershire.gov.uk/researchweb/lea/keyissues.htm

Or alternatively they can be emailed to:

Vicky Newby, Research Officer: vnewby@worcestershire.gov.uk

Or posted to:

Worcestershire LEA Consultation
Research & Intelligence Unit
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Please ensure that any response provides us with your:

- Name
- Address
- Telephone Number
- Email
- Whether you are responding on behalf of yourself or a service/business
 - (if applicable) Name of service/organisation to which your response relates

The consultation will close at **9am on Monday 27 September 2010**, but we would encourage you to submit responses as early as possible.

For further information please contact:

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5 Key Issues

5.1 Legislative changes

Following the General Election (May 2010) and the subsequent formation of a coalition government, we are in a period of uncertainty as new priorities are decided and communicated.

The Queen's Speech (25 May 2010) outlined a number of legislative changes which will impact directly upon Worcestershire County Council, partners and businesses in Worcestershire. These include; the planned abolition of Regional Spatial Strategies; the withdrawal of central funding for regional Leaders Boards; a review of regional Government Offices, bringing into question the future of the Local Area Agreement; and the removal of the Comprehensive Area Assessment.

However, the proposed introduction of a Decentralisation and Localism Bill, and of Local Enterprise Partnerships, may provide organisations in Worcestershire with opportunities to have greater influence over economic development in the local area.

5.2 Reduction in public sector funding

The new government has made reducing the budget deficit its main priority. On 22 June 2010 Chancellor George Osborne delivered the coalition government's first budget, which included; plans to raise VAT from 17.5% to 20.0% from January 2010 to raise £13bn; changes to the welfare system anticipated to save £11bn; plans to reduce corporation tax for small companies to 20% and for other businesses to 24% over the next four years.

This 'emergency budget' followed an announcement on 24 May 2010 that there would be £6.2bn of cuts in the current financial year. Further details are expected in the autumn Spending Review on 20 October 2010.

The Department for Communities and Local Government has already confirmed plans to save £1.16bn on grants for local government, which equates to £5.28 million (revenue and capital) for Worcestershire County Council. The Local Area Agreement reward grant is to be withdrawn and it is envisaged that the Local Authority Business Growth Incentives scheme will be abolished. The Future Jobs Fund, aimed at providing jobs for young people disconnected from the labour market has also been withdrawn.

Reduced funding means that public sector bodies will be required to work more efficiently, targeting resources where they can have the greatest impacts. This is being pursued in Worcestershire through the Better Outcomes Lean Delivery (BOLD) and Worcestershire Enhanced Two Tier (WETT) programmes and has been pursued through the Total Place programme. While authorities may be less able to support community initiatives, the potential outsourcing of services may provide opportunities for private companies and the Voluntary and Community Sector.

5.3 Skills and education

In order to develop a strong, sustainable, technology-led economy for Worcestershire, it is essential that the county has a well-educated, highly skilled workforce able to meet current and future needs of businesses and employers.

However, across the county some 19% of establishments report skills gaps, many of which are related to technical and practical skills. Furthermore, just 6% of employers offer apprenticeships, which is the smallest proportion in the West Midlands. At the same time, just 19% reported recruiting young people straight from education, which may in part explain why 5.3% of young people in the county are not in education, employment or training.

In Worcestershire, almost 40% of adults have only entry-level numeracy skills, while 10% have only entry level literacy skills. However, the proportion of adults with no qualifications is below the national and regional averages.

With the expansion of the University of Worcester, the development of Centres of Vocational Excellence for training and the transfer of responsibility of the 14-19 Agenda to Worcestershire County Council, it is anticipated that the proportion of young people going into higher education and work based learning in the county will increase from an already higher than average base level. This may help to reduce the loss of talent from the county needed to fulfil the requirements of the high value knowledge industries, such as those found in the Central Technology Belt, for example at Malvern Science Park.

5.4 Worklessness

Worcestershire has historically had high economic activity rates and low unemployment rates compared to the regional and national averages. There are also higher than average levels of self employment within the county.

During the recent recession, the number of people claiming Jobseekers' Allowance (i.e. claimant count unemployment) increased from approx 1.7% in June 2008 to 4.1% in February 2010. This underestimates total unemployment, as some people are ineligible for, or choose not to claim benefits.

In Worcestershire, the proportion of young people who are unemployed is higher than for the population as a whole with 7.2% claiming Jobseekers' Allowance in May 2010. However, within the county both working age and youth unemployment levels have fallen in recent months.

To date, the male unemployment rate has increased more than the female rate, however, in view of the anticipated public sector budget cuts, women may be disproportionately affected in coming years, as they make up 41% of the public sector workforce.

Long term unemployment in Worcestershire is below national and regional levels, but worklessness is a notable issue for the county. More than 5% of the working age population claims Employment Support Allowance or Incapacity Benefit/Severe Disablement Allowance, while almost 4% claim Income Support.

5.5 Business growth and support

The new government intends for the economic recovery to be enterprise led in a bid to support the creation of new private sector jobs to rebalance the economy. It is therefore essential that there is appropriate and adequate support available for all sizes of business in Worcestershire.

Worcestershire has over 24,000 businesses, but our economy is dependent on a few struggling sectors in certain areas, for example low value-added manufacturing in Kidderminster and Redditch, and to some extent agriculture. However, over the last decade, Worcestershire's economy has diversified significantly and employment has risen in many growth sectors such as banking, high-technology life sciences and tourism.

Rates of entrepreneurship in Worcestershire are higher than across the West Midlands, but lower than for England. Almost 97% of businesses in the county are Small and Medium-sized Enterprises (SMEs) and these employ almost half of the workforce. It is, therefore, essential that adequate support and training is provided to these businesses to improve their viability, competitiveness and employment offer.

Worcestershire also has a number of large companies which have been identified as key to the county's economy. It is vital that we offer support to these larger businesses, which make up just 3% of the business stock but employ almost half of the workforce and sustain smaller companies in their supply chains.

It is worth noting that business survival rates in Worcestershire tend to be higher than national and regional equivalents, and a greater proportion of businesses have a business plan. There is also support for inward investment including the Property Service run by Herefordshire and Worcestershire Chamber of Commerce.

5.6 Demographic change and sustainable communities

Worcestershire's population structure has changed markedly over the last 30 years. The county as a whole has an ageing population, which will continue to increase demand for some services provided by public sector organisations, including healthcare, homecare and public transport.

However, the impacts of changing demography will vary from place to place. Rural areas have older age profiles when compared to the towns and city of the county. The main reasons for this are the inward migration to the countryside of older age groups and those looking to raise a family, and the outward migration of younger people to towns and cities for education or employment, or due to a lack of affordable housing in rural areas.

As a result, demand for services for older people may increase more in villages and hamlets, presenting challenges in terms of providing access to services and the costs associated with ensuring provision for elderly and vulnerable residents.

High levels of out-commuting from rural areas amongst the working age population also present challenges associated with the viability of rural businesses and service networks.

5.7 Deprivation and inequalities

Deprivation is a key factor affecting an individual's life chances. Worcestershire as a whole might be considered to be a relatively affluent county, however, the Indices of Deprivation show that Worcestershire has a number of small areas which rank amongst the most deprived in England.

These areas are generally associated with high level of worklessness, lower levels of education and poorer health outcomes. As a result, county and district authorities have identified areas of highest need, where projects are focusing on making better use of the funding available to those areas through more effective partnership working.

It is worth noting that other inequalities also exist in the county, for example, while earnings levels for people who live in Worcestershire are generally in line with the equivalent for England, people employed in Worcestershire earn £2,000 per year less than people who live in Worcestershire but who may work elsewhere. In addition, there is marked variation across the Districts, with employees in Wyre Forest earning on average £6,500 per year less than employees in Malvern Hills.

5.8 Environment and sustainability

Worcestershire is located at the heart of England with a beautiful natural landscape, Areas of Outstanding Natural Beauty and a rich history. The high quality natural and built environment is a considerable asset to the county, attracting visitors, businesses and workers. Consequently, it is essential that economic growth in the county is sustainable.

Whilst providing housing and employment land needed to support and encourage growth, strategic planning activities need to take account of issues such as the impact on water resources, the creation of green infrastructure, management of waste and sustainable transport, where possible seeking to reduce reliance on cars, which is a particular challenge for a rural authority such as Worcestershire.

Businesses within the county have the opportunity to position themselves as leaders in the development of new environmental products, services and technologies. For example, the development of technologies to improve energy efficiency and to counteract the effects of climate change and extreme weather events, the economic impacts of which were experienced in Worcestershire in 2007.

The drive towards a low-carbon future also offers business opportunities in terms of retro-fitting environmental technologies into existing premises, and there is a growing market for local goods as consumers look to reduce the 'carbon footprint' of their consumables.

At the same time there is potential for forestry and farming to reduce dependency on oil and increase self-sufficiency in terms of food, thereby improving the resilience of the Worcestershire economy as the population grows.

5.9 Infrastructure

It is essential that good infrastructure is in place to meet the new demands of a changing economy. The success of the economy is intrinsically linked to the county's infrastructure, in particular transport, digital, community and green infrastructure.

An effective transport network is vital. It ensures that businesses can import and export goods, and provides a means to access markets. It also allows businesses to access an appropriately skilled labour market.

Worcestershire is well-positioned, with access to the motorway network via the M5, M42 and M50, and rail links to Birmingham, London and the South-West. Birmingham Airport is approximately 40 minutes from Worcester City and is easily reached. However, there are particular transport infrastructure issues, for example road congestion around Worcester City due to the limited number of river crossings and challenges at Junction 6 of the M5.

Digital infrastructure is increasingly important in allowing businesses to trade effectively and for attracting inward investment. Whilst broadband availability has improved and continues to do so, in future access to superfast broadband will be increasingly significant, providing a competitive advantage to those able to access it and making those areas more attractive to businesses. Lenders have also indicated that in future they may be reluctant to lend money to businesses which do not have access to superfast broadband.

Community infrastructure is essential in the creation and maintenance of sustainable communities. Increasingly, the provision of employment opportunities close to new housing developments, and the creation of sustainable public transport networks will be crucial.

The value of the environment and business opportunities it offers has been considered elsewhere, but it is anticipated that the creation of green infrastructure as a means of attracting and retaining businesses and employees, whilst limiting their environmental impacts, will be of increasing importance.