

Economic Growth Scrutiny Panel

Agenda
Item:

A.3

Meeting Date: 17 October 2019
Portfolio: Economy, Enterprise and Housing
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: Economic Growth Strategy – Updated Context
Report of: Corporate Director of Economic Development
Report Number: ED 34/19

Purpose / Summary:

To update the Panel on the context within which the Council's Economic Growth Strategy is being progressed and to present and invite comments on emerging priorities.

Recommendations:

To note the updated economic context within which the emerging Economic Growth Strategy is being progressed and scrutinise the emerging priorities.

Tracking

Executive:	
Scrutiny:	17th October 2019
Council:	

1. BACKGROUND

- 1.1** It has been some time since Carlisle has had a dedicated Economic Growth Strategy. Whilst other strategies such as the Carlisle District Local Plan have provided clear direction in the interim, there has been a desire over the recent past to prepare an Economic Growth Strategy.
- 1.2** The purpose of the Economic Growth Strategy will be to direct resources, efforts and effectively bring partners together to address economic challenges and build on Carlisle's strengths. In broad terms the likely vision for such a strategy will be to aid the creation of a strong and resilient Carlisle economy, where growth benefits everybody across the district and is achieved in an increasingly 'green' manner (i.e. more alive to a need to respond to climate change and via the more sustainable use of natural resources).
- 1.3** It has proved difficult to progress an Economic Growth Strategy in the recent past given significant uncertainties at a strategic (macro) economic level. This includes Cumbria Local Enterprise Partnership's response to the Governments Industrial Strategy and the emergence of the Borderlands Inclusive Growth Deal. Efforts over the recent past have instead been focussed on positively influencing these 'macro' economic policies, the aim of which has been to create the right conditions and opportunities for Carlisle's economy to grow and flourish across future years. Complementing this has been the establishment of key development opportunities including Kingmoor Park Enterprise Zone and St Cuthbert's Garden Village.
- 1.4** To help better understand economic challenges and opportunities, a robust local evidence base has been developed in parallel with these efforts. This has included a study by Regeneris Consulting in 2017 which has provided an updated economic baseline as well as exploring the identification of future growth opportunities linked to existing and aspirational sectors. A study by Lambert Smith Hampton in 2018 (Housing market Demand and Capacity Assessment) looked in greater detail at forecast job growth and the alignment between these and the demand for new homes. More recently (August 2019) a Cumbria wide study has commenced to consider the potential employment land needs of Cumbria up to 2033 including the identification of priority sites.
- 1.5** This paper presents a summary of the context within which Carlisle's Economic Growth Strategy will emerge, and presents emerging priorities for the strategy upon which comments are invited.

2.0 WIDER ECONOMIC CONTEXT

- 2.1** It is important to highlight that in developing the Economic Growth Strategy careful regard needs to be afforded to the wider economic context within which it will operate. This is necessary to ensure priorities where possible align with those higher level priorities and importantly funding and investment opportunities.

2.2 Local Industrial Strategy

Following the publication of the UK Industrial Strategy in late 2017, Cumbria Local Enterprise Partnership (LEP) have embarked upon the preparation, as required by Government, of a Local Industrial Strategy (LIS). The LIS, which is now at a well-progressed stage of its development, will replace the current Strategic Economic Plan and in doing so set a clear framework for investment decisions across Cumbria.

- 2.3** The national Industrial Strategy aims to drive increased levels of productivity and earning power in the UK. It focuses on five key elements of productivity:

- Ideas
- People
- Infrastructure
- Business environment
- Places

Cumbria's LIS is required to take forward these ideas at the local level, with the strategies intended as a key mechanism to consider local challenges and opportunities.

- 2.4** A final draft of the Cumbria LIS was submitted to Government for their review in March 2019. The vision at the heart of the document is that Cumbria should be:

“The place to live, work, visit and invest sustainably – where exceptional industry and innovation meets a breathtakingly beautiful and productive landscape.”

- 2.5** The vision is focused on ensuring that Cumbria can make the best use of its assets to drive a thriving economy rooted in local distinctiveness. There are five strategic objectives that sit under the vision in the LIS. These are:

- Grow the local talent pool – improve skills and attract new workers
- Improve productivity, innovation and enterprise
- Create a more balanced economy

- Residents contribute by sharing prosperity and opportunity
- Improving connectivity – both transport and digital connectivity

2.6 Borderlands Inclusive Growth Deal

The Borderlands region comprises the five local authority areas of Carlisle City, Cumbria County, Dumfries and Galloway, Northumberland County and Scottish Borders. The Borderlands authorities have been working together since 2014 to develop a strong working relationship, and a joint strategy to secure investment for priority projects that will accelerate economic growth for the benefit of individuals, businesses and communities across the region.

2.7 The Deal includes a package of investment of up to £350m from the UK and Scottish Governments over 10-15 years, of which, £200m is for Cumbria and Northumberland. The agreed Heads of Terms broadly reflects the proposal that was put forward to Government in September 2018 and although there is in principle support to the projects and programmes in the Heads of Terms, all funding is subject to business case approvals.

2.8 The Borderlands economy has three main challenges: narrowing the productivity gap; increasing the working age population and delivering inclusive growth. Tackling inequalities is at the ‘heart’ of the Borderlands Inclusive Growth Deal whose aim is to drive growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly.

2.9 Four investment themes were designed and developed by the five Borderlands partner authorities designed to address these three main challenges:

1. Improving Places - targeting investment in places that will help boost economic activity
 - Place Programme – Investment to stimulate the repurposing and reinvention of towns and centres across the Borderlands area to create places that are economically vibrant, resilient to change and that attract a working age population.
 - Destination Borderlands – Investment to raise the profile and appeal of the Borderlands as a place to visit and support the delivery of new visitor attractions.
2. Enabling Infrastructure – targeting investment to improve connectivity and accessibility
 - Borders Railway Extension Feasibility Study

- Digital Borderlands – Investment in improving digital and mobile connectivity across the whole region. In dispersed rural areas, digital and mobile connectivity is recognised as a significant barrier to growth. This programme will seek to directly address this challenge through investing in the infrastructure required to enable businesses and communities to remotely access services and markets.
 - Carlisle Station Gateway – Investment to create a new high-profile gateway development for Carlisle centred around the Railway Station, the Citadel buildings and Caldew Riverside that will boost economic prosperity by attracting people to live, study and work in the area.
3. Supporting Business, Innovation and Skills – targeting investment to enable innovation and business growth
 - Business Infrastructure Programme – Investment in sites and premises across the Borderlands region.
 - Rural Innovation and Skills – Investment to boost rural productivity and support rural sectors, including investment to help improve the skills available for the tourism sector and visitor economy; Forestry Innovation Centre.
 4. Encouraging Green Growth – targeting investment in green energy and maximising the natural resources of the area
 - Energy Investment Company – Investment in local feasibility and demonstrator energy projects delivered by a Borderlands Energy Investment Company.
 - Natural Capital Innovation Zone – Linked to the Innovation Centres for Dairy and Forestry, this designation will present opportunities to introduce new ways of working.

2.10 Brexit

There remains ongoing uncertainty regarding the economic and particularly funding landscapes post Brexit. All political parties are committed to the creation of a “successor fund” to replace European Structural and Investment Funds (ESIF) when and if the UK leaves the European Union.

2.11 The government is currently focused on the creation of a UK Shared Prosperity Fund (UKSPF), which is *“specifically designed to reduce inequalities between communities across our four nations”* and to *“help deliver sustainable, inclusive growth based on our modern industrial strategy”*. The Government’s manifesto states that the fund will *“be cheap to administer, low in bureaucracy and targeted where it is needed most”*. However, there remains great uncertainty about the exact nature of any successor fund: how much it will be, its purpose and structure.

2.12 The UK is in receipt of two main funds. The European Regional Development Fund (ERDF) focuses on place, promoting balanced development in the different regions

of the EU. The European Social Fund (ESF), meanwhile, focuses on people - supporting employment-related projects and investing in human capital. The government has vowed to keep in place current arrangements until they expire in 2020.

- 2.13** Administration of the Shared Prosperity Fund is promised to be simpler than for EU funds, with forthcoming Local Industrial Strategies a key mechanism for identifying and prioritising funding needs. This acts to emphasise the need to ensure Carlisle's Economic Growth Strategy aligns with the LIS.

3. CARLISLE ECONOMIC PROFILE

- 3.1** Carlisle has a prosperous economy which is already home to many international and successful brands. The locational advantages and skilled workforce have helped to power thriving engineering, manufacturing and logistics industries with the presence of Pirelli, Nestle, McVitie's and Eddie Stobart being testament to this. Carlisle's active business base is around 6,000, employing approximately 55,000 people which represent 25% of Cumbria's total workforce. 99.5% of Carlisle's businesses are defined as Small and Medium Enterprises (SMEs) which are categorised as those which employ less than 250 employees.
- 3.2** 80% of Carlisle's population is considered economically active. A 3% increase in the number of employees was observed in Carlisle between 2010 and 2015, supporting that there is job growth in the economy. The LSH Housing Market Demand and Capacity Assessment envisages a growth in the total economically active resident population (those aged between 18 and 64) of 8,639 people by 2030 against a 2016 baseline, representing a 15% increase.
- 3.2** In 2015, East Cumbria (Carlisle, Eden and South Lakeland local authority areas combined) generated £6 billion in Gross Value Added¹. This accounts for 54% of Cumbria's £11.2 billion total. Although data is not available at a local authority level, as East Cumbria's largest economy, Carlisle is likely to be the key contributor and is therefore performing relatively well.
- 3.3** Key sectors where Carlisle has a competitive advantage relative to other areas, exhibiting both absolute and relative strength, serving a wider geographic market and the ability to add value to the Carlisle economy through generating growth in sectors with high levels of productivity, include:
- Manufacturing

¹ **Gross Value Added** (GVA) is the measure of the **value** of goods and services produced in an area, industry or sector of an economy.

- Logistics and storage
- Agriculture and Related Services
- Construction

3.4 Carlisle also has a number of Enabling Sectors, tied to the city's role as a sub-regional centre and employment offer which presents an opportunity for reinforcement to realise latent potential. These sectors are large in absolute employment terms and command a relatively high share of employment in Carlisle. They are not necessarily high value in terms of Gross Value Added but they play a crucially important role in terms of meeting the needs of a growing and ageing population. These are: Sub-regional Retail and Leisure, Health and Social Care and Professional and Business Services.

3.6 In terms of aspirational sectors for Carlisle's economy, Digital and Creative are sectors where Carlisle does not have a notable strength or specialism. There is however an opportunity to nurture growth in these sectors in Carlisle for a number of reasons: they have and are set to continue to experience rapid growth nationally, there is significant potential presented by the strength of arts and creative provision at the University of Cumbria, and the anticipated growth in young people stemming from a step-change in demographics linked to planned housing growth and particularly St. Cuthbert's Garden Village.

3.7 Drawing on the evidence Carlisle has a number of economic strengths as follows:

- Large sphere of influence and labour pool catchment, reflecting its sub-regional role at the heart of the Borderlands geography;
- Excellent strategic connectivity positioned on the M6 and with a principal station on the West Coast Mainline;
- Emergence of Carlisle Lake District Airport as a regional airport;
- A number of world-leading businesses in our key sectors;
- Thriving visitor economy and proximity to world class environmental and cultural assets;
- Vibrant City Centre and rural market towns offer;
- Year on year growth in visitor numbers, dwell time and associated expenditure;
- High levels of employment;
- Higher rate of business start up survival – 27% compared to UK average of 22%
- High entrepreneurial spirit with more people self-employed on average in Carlisle than in England and the Northern Powerhouse. [On average it made up 18% in 2016 compared to England's 14% and the Northern Powerhouse's 12%].
- Positive trends of strong local business growth;

- High quality of life;
- Home to the University of Cumbria and Carlisle College which serves a large catchment;
- Land availability and financial incentives associated with Kingmoor Park Enterprise Zone; and
- Long term strategic growth potential via St Cuthbert's Garden Village.

3.8 In contrast, the District also faces a number of significant economic challenges. Without intervention it is likely that some of these challenges will worsen over time, creating an underperforming and unsustainable local economy. Such challenges include:

- Carlisle's population is aging faster than the national average, resulting in a declining economically active workforce which is projected to prevail.
- Carlisle's economy is heavily weighted towards lower value industries such as retail, wholesale and public services [37% of employees work in these sectors compared to England 32%];
- Below average productivity – Carlisle's economy is not productive enough due to the composition of the business base being heavily weighted towards lower value sectors.
- A higher share of residents are employed in precarious forms of employment (agency, fixed term, seasonal and casual);
- Below average representation of higher level skills and occupations relative to England;
- Cumbria faces a stark challenge when it comes to skills. The Skills Investment Plan estimates that Cumbria will need to fill 80,300 jobs by 2021;
- Lower median annual wage compared to England and Cumbria, £23,300 compared to English average at £28,500 (18%) and Cumbria (14% lower) at £27,000.
- Pockets of poor broadband coverage, particularly in the rural north east of the district;
- Exporting – Just over one in five (22%) businesses in Cumbria currently export with 15% of all sales from Cumbria going to the EU and 11% outside of the EU.
 - Of the businesses that export, just 7% have seen an upswing in export orders over the past year with 8% seeing a fall (BMG Research, Cumbria Business Survey, 2015/2016).
- Poor trends of inward investment from outwith Carlisle's catchment;
- Rapidly increasing national trends of home working and demand for flexible workspace with a corresponding projected reduction in corporate real estate.

- 3.9** It is important that the evidence base is kept under review particularly given the time lags associated with key economic statistics flowing from national datasets.

4. STRATEGIC PRIORITIES

- 4.1** A principal aim of the economic strategy will be to identify interventions to make the most of Carlisle's strengths and opportunities and to address the known challenges as far as is possible. Consideration of these has given rise to a number of strategic priorities, around which more specific interventions can be grouped, as follows:

- **Raising Carlisle's profile** – principally through interventions focussed on branding and promotion, highlighting Carlisle as a great place to do business and as a visitor destination
- **Enhancing Carlisle's role as a regional capital** – principally through specific projects focussed on regenerating key sites and enhancing infrastructure assets as well as programmes centred on enhancing city centre vitality and resilience
- **Growing the Workforce** – principally through sustaining housebuilding levels, including affordable home delivery, to accommodate a growing workforce, as well as efforts to retain and attract more people of working age to pursue a career in Carlisle and/or its catchment.
- **Transitioning to a 'Smart' and 'Green' economy** – principally through delivery of transformative digital infrastructure, responsive interventions to increased trends of home and flexible workspace and the exploration and implementation of programmes which support a transition to zero carbon energy networks and activities, the more sustainable use of natural resources and waste reduction.
- **Ensuring the benefits from growth reach all** – principally through ensuring no one is excluded from the benefits growth of the economy gives rise to, with a specific focus on Carlisle's large rural hinterland and known areas of economic inequality such as worklessness.

- 4.2** Depending on the outcomes of Brexit, a further priority focussed on supporting the transition to a post Brexit economy may emerge. It is however likely that many of the actions associated with this would be most effectively pursued at a Cumbria level coordinated via Cumbria LEP, reflecting that many of the perceived effects, including those for example relating to agriculture and land-based enterprise, would be generic across the sub-region.

5. RISKS

- 5.1** At this stage in the strategy's development risks are limited. Notwithstanding an emerging strong sub-regional economic framework in the context of the

Borderlands Inclusive Growth Deal and Cumbria Local Enterprise Partnership's Local Industrial Strategy, the preparation of a local Economic Growth Strategy is still considered entirely appropriate. This reflects the strategy's importance in helping to prioritise the Council's resources as well as conveying a confidence to external agencies and investors that there is a clear plan in place for the growth of Carlisle – of elevated importance in a post Brexit landscape.

- 5.2** The opportunity should be taken to ensure that the Carlisle Economic Growth Strategy is as robust as possible and endures across an appropriate time period. Given that both the Borderlands Inclusive Growth Deal and Local Industrial Strategy are intended to have a 10 year time horizon, the opportunity should be taken for the Carlisle Economic Strategy to employ a longer term view as opposed to being prematurely finalised. Prevailing Brexit uncertainties are also relevant in this regard.

6. CONSULTATION

- 6.1** The scope and hence priorities of the Economic Growth Strategy have been subject to previous input from the Economic Growth Scrutiny Panel across 2018. There has also been ongoing engagement with the business community and relevant stakeholders on key economic issues in the context of related work.
- 6.2** Carlisle Ambassadors continues to attract in excess of 200 local businesses at events, with the Corporate Director of Economic Development delivering an update on the projects and initiatives that the City Council have been involved in to strengthen Carlisle's economy. This raises awareness of such work and key issues, and crucially stimulates very valuable debate and feedback.
- 6.3** In relation to the Borderlands Inclusive Growth Deal, a wide range of stakeholder engagement has been carried out as part of the pre-deal development phase with further activities planned post heads of terms having been signed and as business cases for key projects and programmes are being developed.
- 6.4** Cumbria LEP has consulted extensively across the past 18 months to aid the development of the Cumbria Local Industrial Strategy. Carlisle's active involvement in the LEP governance structure also presents access to live intelligence on strategic and sector specific economic opportunities and challenges.
- 6.5** Finally the Panel will also be aware of the significant engagement that has and continues to occur on St Cuthbert's Garden Village with the draft concept proposals deliberately stimulating discussion on future employment land supply, job growth and the available labour supply.

7. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 7.1** An understanding of the economic context within which the Carlisle Economic Growth Strategy is to be progressed is of significant importance in understanding the action needed locally to respond to opportunities and challenges. With increased certainty about wider economic policies now in place, and adequate internal resources to do so, the timing is now opportune to progress a dedicated Economic Growth Strategy for Carlisle.
- 7.2** The Panel have to date provided valuable feedback which has genuinely helped to contribute to the positive evolution of early thinking on the Economic Growth Strategy and the creation of the favourable conditions within which a strategy can now be progressed. Scrutiny of the updated scope of the strategy, prior to the preparation and presentation of a draft, will aid its robustness.

8. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 8.1** The development of an Economic Strategy contributes directly towards achieving the Vision of the Carlisle Plan *‘To improve the...economic prosperity of the people of Carlisle’, and ‘further establish our position as the regional centre and focus for investment’*. It also contributes towards its Priority to *‘Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle’*.

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Appendices
attached to report:

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- **None**