AMION CONSULTING

Worcestershire Local Enterprise Partnership

Strategic Economic Plan Review

Final Report

October 2017

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Final Report

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Executive Summary

Overview

In June 2017, AMION Consulting (AMION) was appointed by Worcestershire Local Enterprise Partnership (WLEP) to conduct a review of the 2014 Strategic Economic Plan (SEP). The specific requirements of the research were to:

- review the original aims and ambitions of the 2014 SEP;
- measure the extent to which the original SEP's targets have been achieved by assessing the economic impact of the key projects funded and facilitated by WLEP that have resulted in and/or are expected to result in additional employment and Gross Value Added (GVA);
- conduct an assessment of the changing socio-economic conditions within the WLEP area, focusing on Business, People and Place themes, assessing change over time since 2011 (when WLEP was formed) and over longer periods where data are available;
- review the performance of priority sectors to test whether these should be retained and/or other sectors prioritised as a result of changing socio-economic and political conditions; and
- identify and assess strategic issues and gaps that now need to be addressed, together with their implications for future WLEP policies and investments.

2014 Strategic Economic Plan

The Government recognised the quality of the 2014 SEP, which set out a clear vision, targets and objectives for the WLEP area under the following three broad themes:

- Creating a World Class Location;
- Provide individuals with world class skills; and
- Develop World Class Competitive and Innovative Businesses.

The SEP included a specific focus on sector strengths, coupled with an emphasis on productivity and earnings growth. A comprehensive programme of action was established comprising of 21 key strategic projects. £283 million in Local Growth Funding was requested, together with 14 'asks' of Government.

Achievements to date

The 2014 SEP set out ambitious targets for growth in employment, economic output and housing growth.

Original targets (by 2025):

- Creation of over 25,000 gross jobs;
- Increase GVA by £2.9 billion; and
- Accelerate the delivery of 9,400 new homes.

Official Government statistics have shown that between 2013 and 2015, 7,667 jobs have been created within the LEP area (31% of target), and that GVA has increased by £874 million (30% of target) over the same period. With regard to the delivery of new homes, 5,900 residential dwellings were completed over the 2014-15 to 2016-17 period.

Since the 2014 SEP was published, the area has secured £71.8 million of LGF funding. To date, this has been allocated as shown in Table ES1.

Table ES1: WLEP Project LGF allocations

SEP theme / project	Actual allocation	2014 SEP projected allocation
Creating a World Class Location	83%	76%
Provide individuals with world class skills	10%	12%
Develop World Class Competitive and Innovative Businesses	7%	11%

At this stage only relatively limited impacts have been achieved. However, over the longer term the projects supported are expected to deliver some 8,200 gross jobs and £372m GVA per annum. Much of this impact is due to the facilitation of development at Worcester 6. After allowing for additionality, the net effects are forecast to be 5,800 jobs and £310m GVA per annum.

The WLEP investments are expected to deliver greater impact per public sector pound invested (i.e. value for money) than was forecast in the 2014 SEP.

Changing economic conditions / strategic issues

A number of strategic issues have been identified by assessing the changing economic conditions within the WLEP area across a range of key indicators within the 'business', 'people' and 'place' themes.

Indicators have been assessed over the period since the WLEP was established (2011) and over the longer term (10 years where possible). A 'traffic light' analysis has been used to indicate change and current position – compared with the other 37 LEPs.

- Red – worst performing/ranked third;
- Amber – mid ranking third; and
- Green – best performing/ranked third.

Economic and demographic forecasts from Experian have been assessed and used in conjunction with historical official statistics to provide an analysis of key sector trends.

Business

GVA, productivity and earnings

Table ES2: GVA, productivity and earnings				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
GVA			↑	-
GVA per filled job (smoothed)			↑	
GVA per hour (smoothed)			↓	
Earnings (workplace) – median gross annual	-		-	

- The recent GVA performance of the WLEP area has been mid-ranking compared to other LEPs, but much better than over the longer term;
- the area has demonstrated a positive productivity performance, where it was ranked 1st in terms of recent change in GVA per hour. This is a strength to build upon, although it is driven by relatively modest GVA growth and poor performance in hours worked; and
- there is a need to invest in activities supporting the drivers of GVA growth, such as high value added sectors, skills, access and commercial property to grow GVA at a greater rate.

Employment

Table ES3: Employment			
	Change over time		
Indicator	Long-term to date	Recent short-term	Direction of travel
Employment			↓
Employees			↑
Productivity hours worked per week			↑

- Over both the long-term (2009-2015) and short-term (2011-2015), there was relatively low growth in both employment and employees in employment, together with a decline in hours worked per week over the long-term; and
- an emphasis should be placed on creating more high value added jobs, including those that are accessible to older workers, disadvantaged residents and that also help to reverse out-commuting.

Entrepreneurship

Table ES4: Business growth and enterprise				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
Private sector business stock	-		-	-
Private sector business stock per 10,000 working age population	-		-	
Enterprise churn rate	-		-	
Proportion of age 16-64 self-employed			↓	

- The WLEP area has demonstrated a relatively poor performance in terms of business growth/entrepreneurship; and
- a greater focus should be given to business start-up/development to establish a robust, diverse business base that is sustainable.

Innovation

Table ES5: Innovation				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
Proportion of total employment in high / medium-high technology industries			↓	
Proportion of total employment in knowledge intensive service industries			↑	
Proportion of all in employment in highly skilled (SOC 1-3) occupations			↓	
Proportion of all in employment in low skilled (SOC 6-9) occupations			↓	

- The WLEP area has a strong base of non-service sector technology industries. However, recent performance has been less strong than it has been over the longer term;
- the WLEP area has particular strengths in process innovation and new business practices, but less so in other areas (such as R&D); and
- innovation is a key driver of productivity and should be given continued emphasis. This should include a focus on key assets such as the University and Malvern Hills Science Park.

People

Quality of life and standard of living

Table ES6: Quality of life and standard of living				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
GVA per capita			↑	
Earnings (resident) – median gross annual	-		-	

- Wealth generating capacity (GVA per capita) has improved over the short-term, but remains relatively weak compared to other LEPs. This improvement reflects mid-ranking GVA growth and a relatively slow growth in total population;
- mid-ranking resident earnings levels over the short-term, but much more highly ranked than workplace earnings – highlighting the continuing issue of residents commuting out of the area to high paid jobs; and
- there are significant levels of net out-commuting – with this having increased between the 2001 and 2011 Census. There is a continued need to create local opportunities to reduce this flow.

Population and labour market

Table ES7: Population and labour market				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
Claimant count	-		-	
Working age population			↑	-
Employment rate			↑	

- The WLEP area has an ageing population and a falling working age population;
- there is a continued need to attract/retain younger people – particularly graduates - which reinforces the requirement to rebalance the housing market in terms of type, tenure and affordability;
- the WLEP area has demonstrated low employment growth and a mid-ranking employment rate, suggesting that there is capacity for additional job creation;
- there is a need to develop mechanisms to assist older workers, and to address pockets of deprivation; and
- demographic projections from Experian indicate that the high growth in population aged 65+ and the decline in working age population in the WLEP area are expected to continue.

Skills

Table ES8: Skills				
	Change over time		Current period	
Indicator	Long-term to date	Recent short-term	Direction of travel	LEP rank (out of 38)
Proportion of age 16-64 holding NVQ4+			↑	
Proportion of age 16-64 with no qualifications			↑	

- There has been a positive performance in terms of higher level skills, where WLEP was ranked 1st for recent change in the proportion of residents aged 16-64 holding NVQ4+ qualifications – an important contributor to improved productivity and wage premia; and
- there is a continuing need to support those with low or no skills, as well as addressing increasing skills shortages.

Place

Transport and commercial property

- A significant proportion of the WLEP's LGF investments are being made in transport schemes (72% compared to the 53% that was projected within the 2014 SEP);
- the accessibility of the area is a major asset upon which to build. However, a number of access issues persist, such as the Cotswold Line Services to London; and
- there are continued issues in terms of the availability of suitable employment premises – for example, there has been a significant decline in office floorspace but increase in industrial floorspace in recent years.

Housing and deprivation

- The WLEP area has demonstrated a mid-ranking performance with regard to change (growth) in the number of dwellings started and completed between 2012 and 2017, although it has seen stronger growth in both indicators than the England average over the same period;
- although recent housing performance has been positive, there is a need to continue to promote supply that can help retain/attract younger people/families; and
- pockets of deprivation persist within the WLEP area, with some indication that localised deprivation has worsened over the period 2010-15.

Review of priority sectors

An analysis of broad sector performance between 2009 and 2015 shows that there has been strong employment growth in the 'business administration & support services'; 'property'; and 'construction' sectors. In contrast over the same period, there have been relatively large

declines in employment in the 'public administration and defence'; 'retail'; 'financial & insurance'; and 'arts, entertainment, recreation & other services' sectors.

There has been a relatively strong performance locally of most of the key growth sectors identified in the 2014 SEP, as shown in Table ES9.

Table ES9: Performance of key growth sectors

	Employment (2015)		2015 LQ (UK)	Compound Annual Growth Rate (2009-15)
	No.	% of Total		
Agri-tech	5,600	2.4%	1.40	0.5%
Advanced manufacturing	11,500	5.1%	1.78	0.8%
Cyber security, defence, IT	5,700	2.5%	0.80	0.8%
Visitor economy – narrow	17,200	7.2%	1.03	-0.2%
Visitor economy – broad[1]	24,900	10.6%	0.99	0.3%
Professional and business services	26,600	13.2%	0.77	2.8%
Total Worcestershire economy	**234,100**	**100%**	**1.00**	**0.2%**

Source: ONS Business Register and Employment Survey (BRES)

Based on an analysis of historic and forecast employment and GVA data, possible target sectors include:

- Manufacturing, for example:
  - Food and Drink; and
  - Machinery and equipment;
- Services, for example:
  - Residential care / social work; and
  - Recreation.
- Wholesale / distribution

On balance, the evidence suggests that there is a rationale for retaining the original target sectors, with the potential to add Health/Care/Medi-tech.

Overall conclusion

Overall, the main priorities of the 2014 SEP remain appropriate, although greater focus could be given to:

- Business growth / entrepreneurship;
- High value added employment growth; and

[1] **Visitor economy – broad**: also includes passenger transport, letting or operating of owned or leased real estate, passenger vehicle and equipment rental, exhibition/conference organisers, performing arts, operation of sports facilities and amusement / theme parks amongst other sub-sectors

- Housing and its impact on the labour market.

The 2014 SEP Vision, objectives and cross-cutting priorities continue to be a highly relevant and a suitable structure to guide interventions. Moreover, evidence suggests that there is a rationale for retaining the original target sectors with the potential to add Health/Care/Medi-tech.

The LGF investments made to date have been slightly more focused on the place theme (and in particular, transport) and less so on business and people than the 2014 SEP proposed.

An assessment of the economic impact of the LGF funded projects currently underway indicates that WLEP investments are forecast to deliver greater value for money (i.e. impact per public sector pound invested) than was forecast in the 2014 SEP.

1 Introduction

1.1 Overview

This report sets out a review of the original aims and ambitions of the 2014 Worcestershire Local Enterprise Partnership (WLEP) Strategic Economic Plan (SEP) and makes recommendations for their realignment, because of changing socio-economic and other conditions.

The specific requirements of the research were to review:

- socio-economic conditions / changes and the achievements of WLEP's investment;
- the progress made against the original SEP targets;
- the performance of priority sectors; and
- any strategic issues / gaps that persist.

The 2014 SEP set out WLEP's ten-year plan for more, better paid jobs and a stronger local economy. Through implementing the plan, the LEP and its partners aimed to secure new money from both central Government and businesses to deliver the commitment to create more than 25,000 new jobs and bring an extra £2.9 billion into the local economy by 2025.

Our approach to the assignment was based on the following six stage approach:

(i) ***Stage 1: Review of the SEP*** – the original SEP document and supporting evidence has been reviewed, with specific reference to the original aims and ambitions, prevailing socio-economic conditions, targets set, selected priority sectors and strategic issues;

(ii) ***Stage 2: Impact of LEP investment*** – this has comprised an analysis of the extent to which the original SEP's targets have been achieved. An economic impact assessment model has been developed for the key projects funded and facilitated by WLEP that have resulted in and/or are expected to result in additional employment and Gross Value Added (GVA)[2];

(iii) ***Stage 3: Socio-economic change*** – an analysis has been conducted of the changing socio-economic conditions within the WLEP area across a range of key indicators grouped into three main themes (Business, People and Place), to match the assessment in the original SEP. Changes in conditions have been analysed over the period since 2011, when WLEP was formed, and also over the longer term – taken to be ten years where the data is available;

(iv) ***Stage 4: Key sectors*** – a review has been conducted of sectoral performance, in particular that of the priority sectors that were identified within the original SEP, to test whether these should be retained and/or other sectors prioritised as a result of changing socio-economic and political conditions; and

[2] GVA is a measure of the economic value of goods and services produced in an area. It is defined by the Office for National Statistics (ONS) as "… the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production".

(v) ***Stage 5: Strategic gaps*** – the strategic gaps and issues that now need to be addressed have been identified and assessed and their implications for future WLEP policies and investments assessed; and

(vi) ***Stage 6: Reporting*** – the results of the preceding stages are set out in this Review Report.

1.2 Structure of the report

The report continues in five sections as follows:

- Section 2 – sets out a review of the 2014 SEP;
- Section 3 – evaluates achievements to date and the forecast economic impact of key projects;
- Section 4 – assesses changing socio-economic conditions in the WLEP area, drawing out strategic issues across 'Business', 'People' and 'Place' themes;
- Section 5 – provides a review of priority sectors; and
- Section 6 – concludes the Review and identifies strategic issues and gaps.

2 2014 Strategic Economic Plan

2.1 Introduction

The WLEP SEP was published in April 2014 and identified that Worcestershire had seen one of the highest long-term growth rates in GVA (1997-2011) outside the Greater South East. Despite this it stated that the WLEP area had not realised its full potential and had been 'punching below its weight'. The SEP set out a vision and strategic framework to ensure that Worcestershire's economy grew even more rapidly and made an increasingly important contribution to the national economy.

The Plan was developed in consultation with businesses, as well as the public and voluntary sectors. In addition, it was informed by the comments and recommendations of an Independent Expert Panel.

2.2 Economic conditions

The SEP highlighted that the Worcestershire economy had substantial potential to grow rapidly and contribute increasingly to national economic growth by realising the significant opportunities in the area and removing the barriers that were preventing businesses from investing.

The Plan identified that the WLEP area had a range of strengths, weaknesses, opportunities and threats – as summarised in Table 2.1.

Table 2.1 SWOT Analysis

Place

Strengths	Opportunities
• Connectivity – road, rail and air • Attractive living environment – relatively high life satisfaction • Central Strategic location to key markets and distribution channels – rail, air and deep-water ports • Important visitor destinations – history and heritage • Defined employment locations	• Key strategic sites (which will be brought forward through the Game Changer programme) • Worcester city – retail, office, and leisure • New/improved infrastructure – transport, digital and utilities • Links to HS2 and Birmingham Airport (UK Central) as well as Heathrow • Improved rail connectivity • Motorway corridors and junctions as drivers of economic growth
Weaknesses	**Threats**
• Current lack of strategic sites (but Game Changer sites will address once infrastructure constraints are overcome) • Affordability of housing in some areas • Some access pinch points to the strategic transport networks – which are constraining economic growth • Limited superfast broadband take-up	• Longer term supply of readily available strategic and other employment sites/premises (beyond initial Game Changer sites) • Failure to deliver housing • Vulnerability of key infrastructure and resource to flooding and climate change

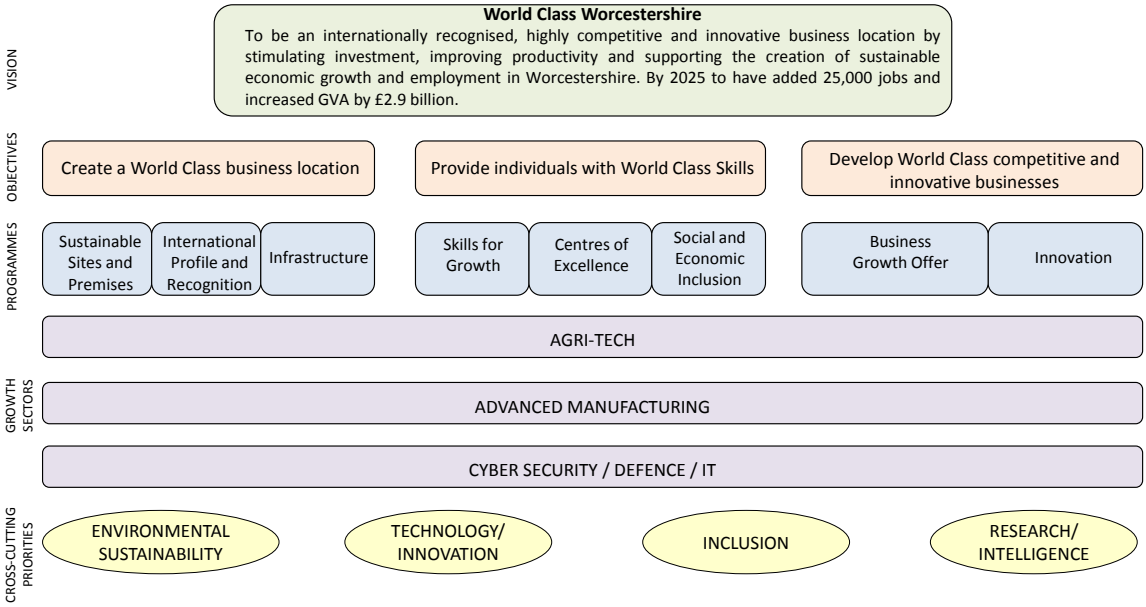
People	
Strengths • Low unemployment/high employment rate • Relatively high skilled workers/ higher order occupations • Strong school age educational attainment	**Opportunities** • Comprehensive HE/ FE offer linked to business needs • Mobilise potential of older workers • Retention of graduates/ young people • Reduced out-commuting • Improved business-school linkages
Weaknesses • Skills shortages particularly in key growth sectors • Pockets of deprivation • Increasing youth/ long -term unemployment • Net outflow of commuters – with consequential difference in residential and work-based incomes	**Threats** • Ageing population – increased dependency, but also a source of labour • Supply of labour – forecast decline in 16-64 population • Out-migration of younger cohorts
Business	
Strengths • Large SME base • 3rd highest share of employment in high/medium technology sectors • Key growth sectors – advanced manufacturing, agri-tech, cyber security/IT • High patent registration rate • Strong long-term growth in GVA	**Opportunities** • Building on the high levels of entrepreneurship and developing existing SMEs • Development of key growth sectors and business through targeted programmes (e.g. business support, supply chains, skills strategy delivery) • Cross-sector efficiency – ICT/ broadband, renewable energy/energy, water and waste efficiency • High potential for internationalisation • Major economic and demographic growth in Birmingham and Solihull
Weaknesses • Below average GVA per head/productivity • Lack of access to finance • Relatively low levels of inward investment • Limited innovation and research activity • Lack of centres of excellence • Lack of business -HEI collaboration • Underdeveloped national/international profile • Lack of high quality hotel and conference provision	**Threats** • Under-performance of large employment sectors – services • Skills shortages • Spatial variation in performance – economic divergence across the county • Major economic and demographic growth in Birmingham and Solihull (although this also represents a significant opportunity) • Increasing energy, water and waste resource costs

Source: WLEP 2014

2.3 Vision and Strategic Framework

The SEP set out an ambitious vision to grow the local economy by 2025 by over 25,000 jobs and to increase GVA by £2.9 billion (see Figure 2.1), based on smart efficiency and growth sectors. Whilst significant employment growth was forecast, a focus of the Plan was on securing growth in GVA per worker and average annual earnings.

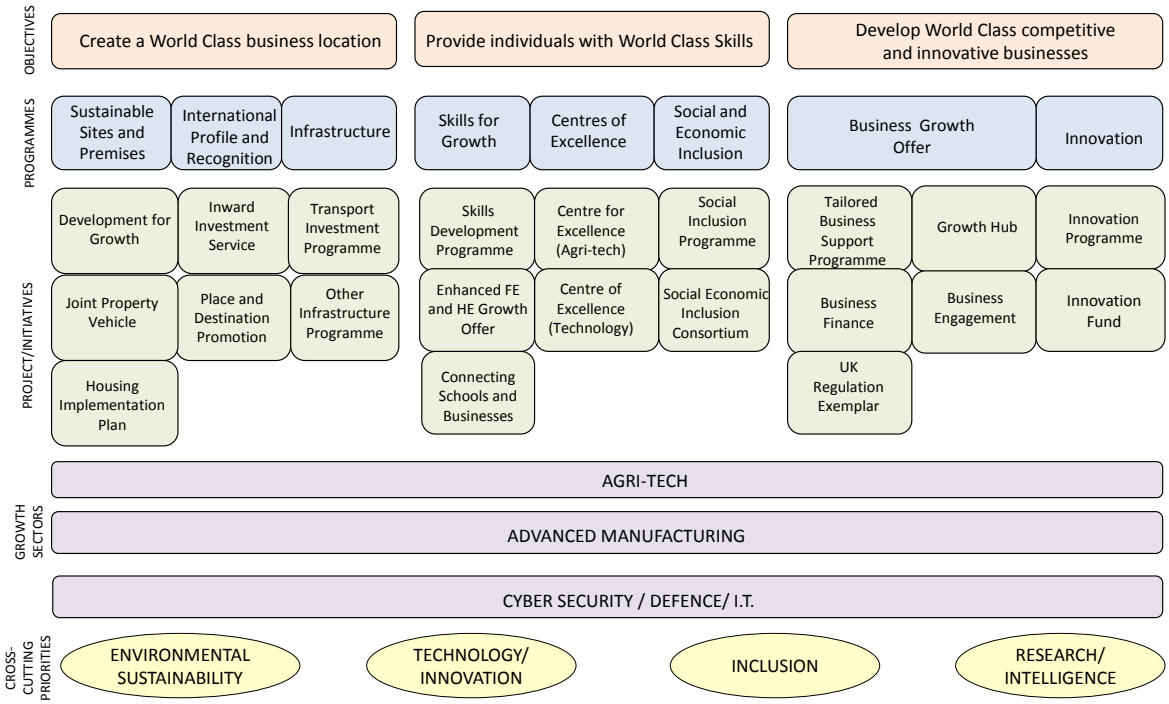
Figure 2.1 SEP vision, objectives and cross-cutting priorities



2.4 Investment Plan

A comprehensive programme of actions was proposed to achieve the vision (see Figure 2.2). Each of the three objectives were to be delivered through integrated programme areas, which comprised prioritised projects and initiatives.

Figure 2.2 SEP Implementation Plan



Delivery of the SEP in full was estimated to require some £1,920 million of investment, of which some £510 million was forecast to be contributed by public sector sources – with £283 million (including future years post 2020/21) requested from the Local Growth Fund (LGF) - and over £1,410 million of private sector investment levered in by the Plan. To date, WLEP has secured £71.79 million up to 2021 in LGF funding through three rounds of bids.

To deliver additional early growth the WLEP SEP sought investment totalling £47.1 million from the Local Growth Fund in 2015/16 to support 19 projects. In addition, it also asked for the specific assistance from Central Government to address particular local challenges and opportunities. These included the request to, *"…endorse the 'Worcestershire Infrastructure Investment Fund' Outline Business Case developed by the WLEP and ask HM Treasury to approve full retention of non-domestic rate income on the identified Game Changer Sites by the Worcestershire Local Authorities for a period of 25 years, from April 2016".* This ask has not been agreed by Government. Of the total of 14 asks, progress is being made in relation to six of them.

2.5 Review

The 2014 WLEP SEP is understood to have been well regarded by Government. The 2014 WLEP SEP:

- was based on a robust analysis of local conditions;
- set out a clear vision and targets;
- focused on sector strengths;
- emphasised productivity and earnings growth;
- presented a comprehensive programme of action;
- identified a clear Local Growth Fund request of £283 million in total;
- presented 14 asks of Government – including the creation of the 'Worcestershire Infrastructure Investment Fund'; and
- set out four cross-cutting themes – environmental sustainability, technology/innovation, inclusion and research/intelligence – that would inform its actions.

Like all such Plan's, the WLEP SEP was an aspirational bidding document as well as a strategy. Despite Central Government recognising the quality of the Plan it has not provided the full level of support requested.

3 Achievements to date

3.1 Introduction

This Section considers the achievements to date compared with the SEP targets, initially assessing performance against the high-level targets, it then appraises performance and impact in terms of LEP funded projects.

3.2 Overall targets

Overall, it was estimated that implementation of the SEP would lead to the creation of over 25,000 gross jobs and to increase GVA by £2.9 billion by 2025. In addition, it was expected to accelerate the delivery of 9,400 new homes. These were 'top down' targets based on the overall performance of the local economy and not due directly to specific WLEP project interventions.

Table 3.1 sets out the projected change in jobs and GVA based on published ONS statistics, although at this point in time, due to the lag in publishing data, only two years of change is available.

Table 3.1: Performance against overall targets

	Target to 2025	Change (2013-15)	% Change (2013-15)	Change as % of target
Employment	25,000	7,667	3.3%	30.7%
GVA	£2,900m	£874m	8.0%	30.1%

Sources: BRES and ONS Gross Value Added (GVA) for Local Enterprise Partnerships (LEPs), June 2017

With regard to the delivery of new homes, 5,900 residential dwellings[3] were completed over the 2014-15 to 2016-17 period.

It is difficult to draw firm conclusions based on such a limited timeframe. However, the analysis suggests that performance is significantly ahead of the annual average target rate. It will be important to continue to monitor change in these indicators over the coming years.

3.3 LEP projects

3.3.1 Delivery and performance of strategic projects

Progress has been made across the following 23 strategic projects that have been driven by the 2014 SEP:

- **Pershore Lane / Worcester 6:** investment into the access road and road improvements on Pershore Lane, in order to unlock the adjacent greenfield land for development (the Worcester 6 site);

[3] Includes private enterprise, housing association and local authority completions

- **Malvern Hills Science Park (MHSP) phase 5:** demolition of an obsolete building and remediation works / site clearance in order to facilitate the construction of Phase 5 of the MHSP;
- **Flood Alleviation:** investment in five locations to reduce flooding likelihood, and the economic damage of flooding caused by restricted access in key infrastructure;
- **Hoobrook Link Road:** the project involves the delivery of key infrastructure designed to unlock residential and commercial space, together with alleviating traffic in central Kidderminster;
- **Cathedral Square:** the scheme aims to deliver premium public realm, alongside lighting and street furniture, which will complement the surrounding development of restaurants and businesses, creating a vibrant new quarter for Worcester;
- **Southern Link Road Phase 3:** resurfacing and dualling, along with associated junction and roundabout improvements;
- **Broadband:** infrastructure investment designed to provide Superfast broadband (24+mbps) to 95% of premises by 2017;
- **Parkway station:** construction of a new rail station at the intersection of Worcester-to-London and Birmingham-to-Bristol lines to enhance connectivity to London and other key markets;
- **Kidderminster Railway Station:** the project involves investment designed to make a series of improvements to Kidderminster Railway Station and the surrounding area;
- **Worcestershire Growth Fund:** a capital business grant programme of £1.8 million;
- **Vale Park:** the project involves the construction of a new access road, footpaths, lighting and drainage works, together with inward investment and training campaigns to enable business investment, job creation and training opportunities on Vale Park, Evesham;
- **META project:** refurbishment of a building and provision of capital machinery to be used for engineering training / apprentices at Pershore College;
- **MHSTP / QinetiQ land purchase:** the project involves the purchase of land in order to unlock a key site for employment and housing development. This will be known as the Malvern Hills Science and Technology Park;
- **Park Farm, Malvern:** the release of 4.1 hectares (10 acres) of land adjacent to Spring Lane industrial Estate for development and to facilitate business growth, investment and job creation;
- **Centre of Vocational Excellence:** the project involves the construction of a new building and the provision of capital machinery to be used for engineering training/apprentices in central Worcester;
- **Midland Group Training Services (MGTS):** refurbishment costs for a building and capital machinery to be used for engineering training / apprentices at MGTS in Redditch;

- **Pershore College (Agri-tech):** refurbishment of a building at Pershore College and the purchase of capital equipment. This will be used together to create a dedicated agri-tech training area;
- **Inclusive Skills Base centre:** the refurbishment of two areas of the Heart of Worcestershire (HoW) Colleges' sites in Worcester and Redditch, creating specialist education zones for those with Special Educational Needs (SEN). The objective is to support SEN individuals to achieve, reduce the cost of inefficient commissioning in this area and to help SEN individuals into work;
- **Worcester Advanced Manufacturing Centre (HoW College Engineering facility):** the purchase of capital equipment to be used within one of HOW College's existing buildings for engineering training purposes;
- **The Kiln:** A co-working innovation space providing flexible accommodation for early-stage businesses and entrepreneurs in Worcester City;
- **Pershore Northern Link Road:** A road infrastructure project designed to address current and future (predicted) congestion, support access to the KeyTec Business Park, and facilitate the delivery of employment and housing growth by unlocking sites identified within the South Worcestershire Development Plan;
- **A38:** although not fully funded yet, this project incorporates a part of WLEP's GD3 (Planning Obligations) to deliver a series of strategic road infrastructure improvements along the A38 in Bromsgrove; and
- **Churchfields:** a road infrastructure / access and public realm improvement project as part of the redevelopment and regeneration of the Churchfield area in Kidderminster.

Table 3.2 shows the expenditure to date and total LGF funding for each strategic project grouped by SEP theme.

Table 3.2: WLEP Project LGF allocations

SEP theme / project	LGF Expenditure to date	Total LGF allocation
Creating a World Class Location		
Pershore Lane/Worcester 6	8,255,000	8,255,000
Flood Alleviation	936,000	3,221,000
Hoobrook Link Road	3,600,000	3,600,000
Cathedral Square	500,000	500,000
Southern Link Road Phase 3	11,222,000	16,400,000
Broadband	1,418,000	2,400,000
Parkway station	4,076,000	8,300,000
Kidderminster Railway Station	298,000	2,500,000
Vale Park	800,000	800,000
Park Farm	425,000	425,000
Pershore Northern Link Road	0	5,000,000

Table 3.2: WLEP Project LGF allocations		
SEP theme / project	**LGF Expenditure to date**	**Total LGF allocation**
Churchfields Urban Village	0	1,000,000
A38 Corridor Improvements	0	7,500,000
Sub-total -Creating a world class location	*31,530,000*	*59,901,000*
Provide individuals with world class skills		
META project	0	313,000
Centre of Vocational Excellence	950,000	950,000
Midland Group Training Services	350,000	350,000
Pershore College – Agri-tech	118,000	500,000
Inclusive Skills Base Centre	290,000	290,000
HoW Engineering Facility	0	4,010,000
Worcester Advanced Manufacturing Centre	0	600,000
The Kiln	0	150,000
Sub-total - Skills infrastructure projects	*1,708,000*	*7,163,000*
Develop World Class Competitive and Innovative Businesses		
Malvern Hills Science Park Ph 5	759,000	1,524,000
QinetiQ land purchase	0	1,200,000
Worcestershire Growth Fund	887,000	2,000,000
Sub-total - Knowledge and Innovation projects	*1,646,000*	*4,724,000*
Total	**34,884,000**	**71,788,000**

Source: WLEP

Over £71 million of LGF funding has been allocated across the strategic projects. The majority of the funding (83%) has been allocated under the 'Creating a World Class Location' SEP theme, with a substantial amount set against transport infrastructure improvement schemes. Some 10% has been allocated to projects in the 'Provide Individuals with World Class Skills' theme and 7% to projects in the 'Developing World Class Competitive and Innovative Businesses' theme. This varies from the indicative funding proportions set out in the 2014 SEP, which were:

- 76% for 'Creating a World Class Location';
- 12% for 'Provide individuals with world class skills'; and
- 11% for 'Develop World Class Competitive and Innovative Businesses'.

3.3.2 Economic impact to date

An economic impact model has been created to assess the potential effects of the LGF funded projects in terms of jobs and GVA. The model groups the projects into three types:

(i) those projects that are expected to facilitate development and thus result in commercial floorspace. In these cases, gross employment has been estimated based on benchmarks for employment densities set out within guidance published by the HCA (Employment Density Guide, 2015). The calculations allow for vacancy rates where appropriate. Gross GVA has been estimated based on GVA per employee benchmarks derived from ONS GVA per job statistics for the WLEP area;

(ii) those projects where direct support is provided to businesses to improve their performance. Here the model uses ratios based on past monitoring, evaluation and other evidence to estimate the number of business assisted and potential employment and GVA impacts; and

(iii) skills projects where the principal output is improved skills levels, but which will also potentially have some employment impact. For these, the model considers three main routeways through which the project could lead to the creation of jobs and GVA. Firstly, direct employment associated with the increased provision in training and employment support. In addition, a number of apprenticeship opportunities will be created as a result of the projects, which are treated as representing new jobs for the purposes of the modelling. Secondly, assisting people into employment – the projects are expected to increase the numbers of those gaining employment as a result of receiving training and employment support. Thirdly, improved productivity, due to the skills gained by those receiving training support. In terms of the latter, the type of training received (for example, development learning or NVQ level 2/3) has been assessed. A wage premium has then been applied to each learner, corresponding to the type of training received. This wage uplift has been converted into a GVA impact, allowing for non-wage labour costs and the ratio of GVA to overall employment cost.

The model also includes an assessment of additionality. In order to determine the net additional impact, the key issue to be addressed is the additionality of the project under consideration – in other words, the extent to which activity takes place at all, on a larger scale, earlier or within a specific designated area or target group as a result of the intervention. In order to assess the additionality of the proposals, the following factors have therefore been considered for each project:

- **Leakage** – the proportion of outputs that benefit those outside of the project's target area or group;
- **Displacement** – the proportion of project outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets;
- **Multiplier effects** – further economic activity associated with additional local income and local supplier purchases (as discussed above); and
- **Deadweight** – outputs which would have occurred without the project.

The approach to assessing the net additional impact of a project, taking into account the above adjustments, is shown diagrammatically in Figure 3.1. For the purposes of this assessment, the additionality of each project has been considered at the WLEP level.

Figure 3.1: Net additional impact

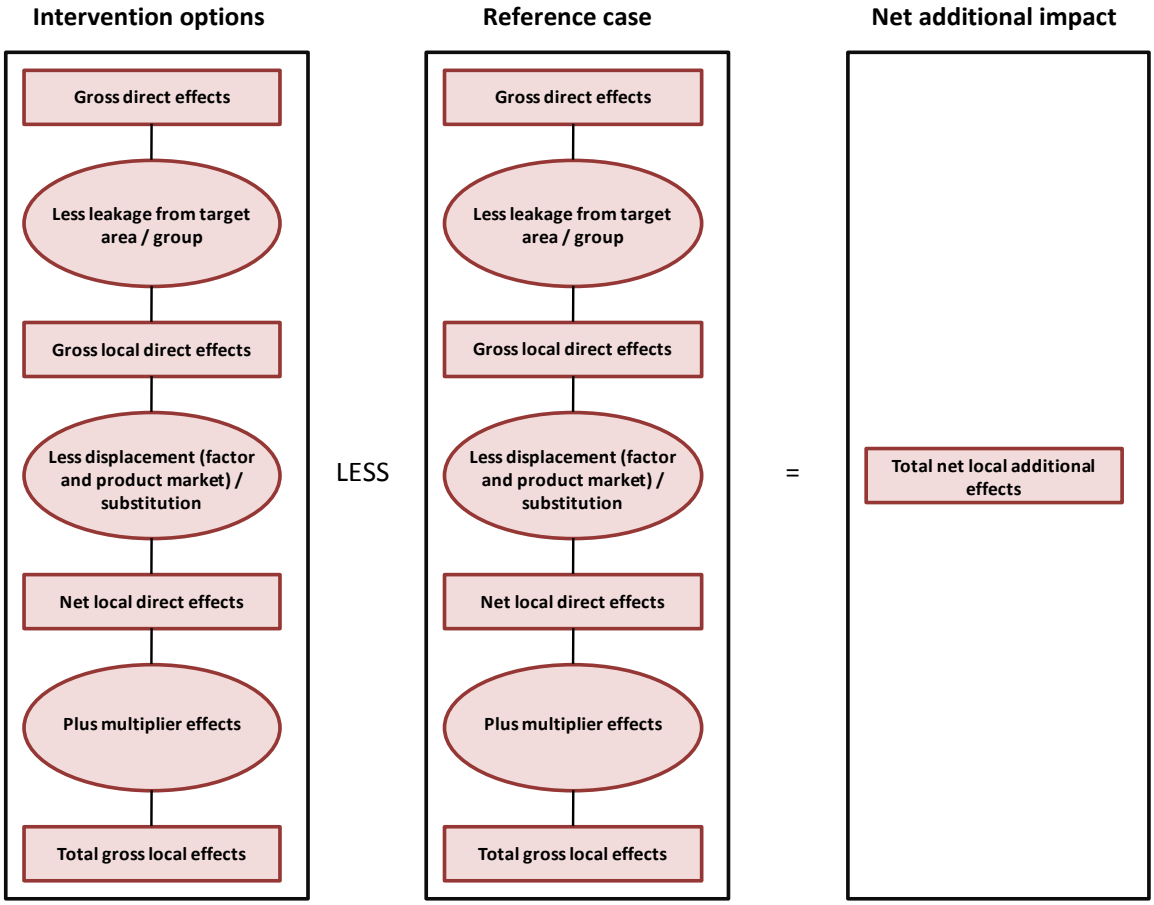


Table 3.3 sets out the results of the impact modelling in terms of those jobs and GVA impacts that are assessed to be delivered in the future. At this stage only relatively limited impacts have been achieved. However, over the longer term the projects supported are expected to deliver some 8,200 gross jobs and £372m GVA per annum. Much of this impact is due to the facilitation of development at Worcester 6. After allowing for additionality, the net effects are forecast to be 5,800 jobs and £310m GVA per annum.

Table 3.3: Forecast employment and GVA impact

	Forecast	
	Gross	**Net additional**
Employment	8,200	5,800
GVA	£372m	£310m

The 2014 SEP requested £283 million of LGF funding and forecast that project interventions would generate 19,000 net additional jobs over the longer term. This implied an LGF cost per net additional job ratio of £14,900. In comparison, the forecast cost per net additional job of the WLEP investments to date is £12,400. This indicates that the WLEP funded projects are expected to deliver greater value for money than was forecast in the 2014 SEP.

3.4 Conclusions

Over the first two years of the SEP period, significant progress has been made towards achieving the targets set out in the 2014 SEP. Performance in terms of both jobs and GVA is significantly ahead of the annual average target rate.

Much of the impact associated with the £71 million of project investment being made by the WLEP has yet to be delivered. However, the economic impact of these projects is forecast to be significant with 5,800 net additional jobs and £310 million in net additional GVA per annum anticipated to be generated. The LGF projects being supported are also expected to deliver better value for money than was forecast in the 2014 SEP.

4 Changing economic conditions

4.1 Introduction

This Section sets out a summary of the changing socio-economic conditions in the WLEP area over two periods:

(i) since the WLEP was created in 2011; and

(ii) over the longer-term – taken to be ten years when sufficient data is available.

Both the change in conditions in the area and its current performance are considered. The analysis has been subdivided into three parts as follows:

Business

- GVA, productivity and earnings
- Employment
- Entrepreneurship
- Innovation

People

- Quality of life and standard of living
- Population and labour market
- Skills

Place

- Transport and commercial property
- Housing
- Deprivation

A separate data appendix has been provided to WLEP containing annual information for indicators for all LEP areas, where available. The analysis below is based primarily on the summary analysis of current and change data set out in Appendix A.

4.2 Business

4.2.1 GVA, productivity and earnings

Worcestershire's performance in relation to change in GVA has improved from 32nd between 2006–15 to 17th between 2011–15.

The WLEP area has performed strongly in terms of productivity. In relation to GVA per hour it was the best performing LEP area over the period 2011–15. This represented a significant

improvement over its 9th place ranking for the longer 2006–15 period, indicating stronger relative performance since 2011. The area has also performed well in respect of the GVA per filled job measure of productivity – improving from 13th to 3rd over the two periods. In absolute terms, it was ranked 22nd and 23rd in 2015 in term of GVA per filled job and GVA per hour worked.

The area's stronger recent performance in relation to the productivity measures is driven by: the relatively poor change in employment and in particular hours worked and the better relative performance in GVA.

The WLEP area has been mid-ranking (22nd) in relation to earnings (annual) change performance, with median gross (workplace) earnings having increased at a similar rate to the UK average between 2014-16. However, current annual workplace earnings continue to lag the West Midlands and the UK average in absolute terms. The WLEP area ranked 34th in terms of workplace earnings in 2016.

4.2.2 *Employment*

The WLEP has seen relatively low growth in both employment and employees in employment. For example, over the periods 2009–15 and 2011–15 it was ranked 30th and 31st respectively in relation to employment change out of the 38 LEP areas.

In terms of hours worked per week, these declined (-2.8%) over the period 2006 – 15, compared with an increase in the West Midlands (4.5%) and nationally (6.8%). WLEP was ranked 37th and 36th in terms of change in this indicator over the periods 2006–15 and 2011–15.

4.2.3 *Entrepreneurship*

Worcestershire has performed poorly in terms of indicators of entrepreneurship. It is ranked 35th in terms of the change in private sector business stock over the period 2011–2016. Similarly, with regard to private sector business stock per 10,000 working age population, the WLEP area is ranked 34th in terms of growth between 2011-16. However, it ranked 14th in terms of private sector business stock per 10,000 working age population in 2016, which was significantly higher than the West Midlands and the UK with regard to this measure in the same year.

The WLEP area's relatively poor entrepreneurship levels are again observed through the change in the enterprise churn rate[4], where it was the second lowest of all LEPs over the 2011-15 period and in 2015 it was ranked 33rd out of all LEPs.

The WLEP area is ranked 19th in terms of its self-employment rate. Its change in the self-employment rate over the periods 2006–16 and 2011–16 was ranked 25th and 27th respectively.

4.2.4 *Innovation*

[4] The enterprise churn rate is the sum of enterprise births and deaths as a proportion of the total enterprise stock

The WLEP area has performed reasonably well across a range of innovation, knowledge and technology indicators. The WLEP area is ranked 12th in terms of the growth in employment in high / medium-high technology industries between 2009-15; 15th between 2011-15; and 4th in terms of the proportion of total employment in high / medium-high technology industries in 2015. However, the LEP area has performed less well when considering employment in knowledge intensive service industries. Here, it is ranked 28th for change in employment between 2009-15, 25th between 2011-15; and 32nd in terms of the proportion of total employment in knowledge intensive service industries in 2015.

Worcestershire has performed well with regard to increasing highly skilled employment and reducing low-skilled employment. The area is ranked 1st for its increase in the proportion of all in employment in highly skilled (SOC 1-3) occupations between 2007-16, although it has lagged other LEP areas between 2011-16 where it is ranked 24th. Similarly, the WLEP area has made significant progress in the reduction of the proportion of all in employment in low skilled (SOC 6-9) occupations – ranking 5th between 2007-16 and 15th between 2011-16.

Table 4.1 shows eight innovation benchmarks for the WLEP area, together with LEP rank, based on an analysis of the UK Innovation Survey 2015. Although based on an observation of 88 firms over the 2012-2014 period, Table 3.1 indicates that the WLEP area performed relatively strongly in terms of process innovation and the introduction of new business practices during this period. However, the area performed relatively poorly in terms of introducing new methods of work organisation; co-operating with others on innovation; and undertaking new to the market product and service innovation over the same period.

Table 4.1: Innovation indicators (2012-2014)

Innovation indicator	% (2012-2014)	LEP rank
Introduction of new business practices (% of firms)	32	7
Introduction of new methods of work organisation (% of firms)	17	34
Introduction of changes to marketing concepts (% of firms)	19	11
Proportion of firms undertaking R&D (% of firms)	19	19
Co-operation with others on innovation (% of firms)	23	31
Undertake new to the market product and service innovation (% of firms)	19	31
Sales of innovative product and services (% sales of innovating firms)	31	19
Process innovation (% of innovating firms)	20	5

Source: ERC (2017) 'Benchmarking local innovation – the innovation geography of England: 2017'

4.3 People

4.3.1 Quality of life and standard of living

In terms of GVA per capita – which is a measure of wealth generating capacity per head of population - the WLEP area has seen improved relative performance recently. It was ranked 10th for its growth in GVA per capita between 2011-15, but ranked 32nd over the longer period 2006-15.

With regard to resident earnings (annual), the WLEP area ranked 16th in terms of the growth between 2014-16 and was ranked 22nd for the absolute level of resident annual earnings in 2016. In 2016, annual resident earnings in the WLEP area were higher than the West Midlands average but lower than the UK average. Resident earnings are much more highly ranked than workplace earnings.

4.3.2 Population and labour market

The WLEP area has performed well in terms of reducing claimant count unemployment levels, but poorly with regard to the increases of the working age population and the employment rate. The area was ranked 9th for the reduction in claimant count levels between June 2013 and June 2017, and had a relatively low claimant unemployment rate (ranked 11th) in June 2017.

In contrast to most of the LEP areas, the West Midlands and England which have seen growth in the working age population in recent years, the working age population of the WLEP area has declined between 2007-16 (rank 33) and 2011-16 (rank 31).

Although the employment rate in the WLEP area in 2016 was significantly higher than the West Midlands and the UK averages, it ranked 17th of all LEP areas. However, the WLEP area has performed relatively less well in terms of the growth in the employment rate between 2007-16 (rank 28th) and 2011-16 (rank 21st).

With regard to commuting, a Commuting Ratio[5] greater than 1.00 indicates that the size of the resident workforce exceeds the number of jobs available in the area, resulting in a net out-commute. Although the most recent commuting data is derived from the 2011 Census, Worcestershire has tended to demonstrate significant levels of net out-commuting. For example, the Commuting Ratio in 2001 was 1.14 and had increased to 1.27 in 2011[6].

4.3.3 Skills

The WLEP area performs particularly strongly in relation to higher level skills (NVQ4+). During 2011-16 it ranked 1st in terms of the growth in the proportion of working age residents holding NVQ4+ qualifications. In absolute terms, in 2016 it had a higher proportion of working age residents holding NVQ4+ qualifications than the West Midlands and the UK, and ranked 9th out of all LEP areas.

Although the WLEP area had a lower proportion of working age residents with no qualifications than the West Midlands and the UK in 2016, it ranked 25th out of all LEP areas. A significant reduction in the proportion of working age residents with no qualifications was observed in the WLEP area between 2011-16 (rank 11th), although it performed less well over the longer 2007-16 period (rank 33rd).

With regard to skills shortages, the WLEP area ranks 23rd in terms of the change in the number of staff with skills gaps between 2013 and 2015.

[5] Commuting Ratio = Employed Residents in Area / Workforce Jobs in the Area
[6] Worcestershire Strategic Housing Market Assessment Monitoring 2012/13

4.4 Place

4.4.1 Transport and commercial property

A significant proportion of the WLEP's LGF investments are being made in transport schemes (72% compared to 53% projected within the 2015 SEP). While the accessibility of the area is a major asset upon which to build, a number of access issues persist, such as the Cotswold Line services to London.

With regard to commercial property, the levels of 'Retail', 'Office', 'Industrial' and 'Other' floorspace have remained largely unchanged over the 2011-12 to 2015-16 period, with an 0.9% increase in total non-residential floorspace for the WLEP area, compared with 1.0% for the West Midlands and 0.8% for England as a whole.

The levels of retail floorspace increased by 1.2% in the WLEP area, 3.7% in the West Midlands and 2.4% in England. The levels of industrial floorspace increased by 0.6% in the WLEP area, 0.2% in the West Midlands and declined by -0.1% across England as a whole. However, there was a decline of 8,000 sq m (-1.4%) of office floorspace in the WLEP area between 2011-12 and 2015-16. This compares to a decline of -1.1% in office floorspace across the West Midlands and an increase of 0.5% across England as a whole over the same period.

4.4.2 Housing

The WLEP area has performed reasonably well in terms of housing starts and completions. Between 2012-13 and 2016-17, the area had a higher percentage increase (71.2%) in the number of dwellings started than the England average (57.4%), and a LEP rank of 19th. Over the same period, the WLEP area had a higher percentage increase (44.8%) in the number of dwellings completed than the England average (37.0%), again with a LEP rank of 19th.

4.4.3 Deprivation

According to the Index of Multiple Deprivation 2015 (IMD 2015), the WLEP area ranks 14th in terms of rank of average IMD score (39th being the worst). With regard to specific domains of deprivation, the area ranks: 13th for income; 13th for employment; 13th for education, skills and training; 14th for health deprivation and disability; 17th for crime; 35th for barriers to housing and services; and 18th for living environment.

It is recognised that there exist pockets of deprivation within the LEP area, with some indications that localised deprivation has worsened over the period 2010-2015. An analysis of deprivation at the Lower Super Output Area (LSOA) level shows that deprivation has worsened during this period. For example, in 2010 there were 2 LSOAs in the WLEP area in the 5% most deprived in England, 13 LSOAs in the 10% most deprived and 24 LSOAs in the 15% most deprived. In comparison, in 2015 there were 6 LSOAs in the 5% most deprived, 16 LSOAs in the 10% most deprived and 28 LSOAs in the 15% most deprived.

4.5 Overall 'scorecard'

Table 4.2 sets out a summary 'scorecard' for the WLEP area for those indicators where a 'LEP rank' was possible. The area's LEP rank sores (out of 38) have been colour coded, with 1-12 in green; 13-25 in amber; and 26-38 in red.

Table 4.2: WLEP area Scorecard

	Change		Current period	
	Date	LEP rank (out of 38)	Date	LEP rank (out of 38)
BUSINESS				
Employment				
Employment	2009-2015	30		
	2011-2015	31		
Employees	2009-2015	28		
	2011-2015	27		
Productivity hours worked per week	2006-2015	37		
	2011-2015	36		
Output, productivity and earnings				
GVA	2006-2015	32		
	2011-2015	17		
GVA per filled job (smoothed)	2006-2015	13	2015	22
	2011-2015	3		
GVA per hour (smoothed)	2006-2015	9	2015	23
	2011-2015	1		
Earnings (workplace) - median gross annual	2014-2016	22	2016	34
Entrepreneurship				
Private sector business stock	2011-2016	35		
Private sector business stock per 10,000 working age population	2011-2016	34	2016	14
Enterprise churn rate	2011-2015	37	2015	33
Proportion of age 16-64 self-employed	2007-2016	25	2016	19
	2011-2016	27		
Innovation, knowledge and technology				
Proportion of total employment in high / medium-high technology industries	2009-2015	12	2015	4
	2011-2015	15		

Table 4.2: WLEP area Scorecard				
	Change		Current period	
	Date	LEP rank (out of 38)	Date	LEP rank (out of 38)
Proportion of total employment in knowledge intensive service industries	2009-2015	28	2015	32
	2011-2015	25		
Proportion of all in employment in highly skilled (SOC 1-3) occupations	2007-2016	1	2016	10
	2011-2016	24		
Proportion of all in employment in low skilled (SOC 6-9) occupations	2007-2016	5	2016	11
	2011-2016	15		
PEOPLE				
Quality of life and standard of living				
GVA per capita	2006-2015	32	2015	26
	2011-2015	10		
Earnings (resident) - median gross annual	2014-2016	16	2016	22
Life satisfaction	2011-2012 to 2012-2015	N/A		
Labour market				
Claimant count	June 2013-June 2017	9	June 2017	11
Working age population	2007-2016	33		
	2011-2016	31		
Employment rate	2007-2016	28	2016	17
	2011-2016	21		
Human capital				
Proportion of age 16-64 holding NVQ4+	2007-2016	7	2016	9
	2011-2016	1		
Proportion of age 16-64 with no qualifications	2007-2016	33	2016	25
	2011-2016	11		

The summary scorecard highlights a number of issues and implications, as follows:

- employment performance has been relatively weak;
- the change in GVA over the period 2011-15 is mid ranking but much better ranked than over the longer term;
- recent performance in terms of productivity measures has been strong – although this is due to a significant extent to the relatively poor performance in terms of employment and hours worked;

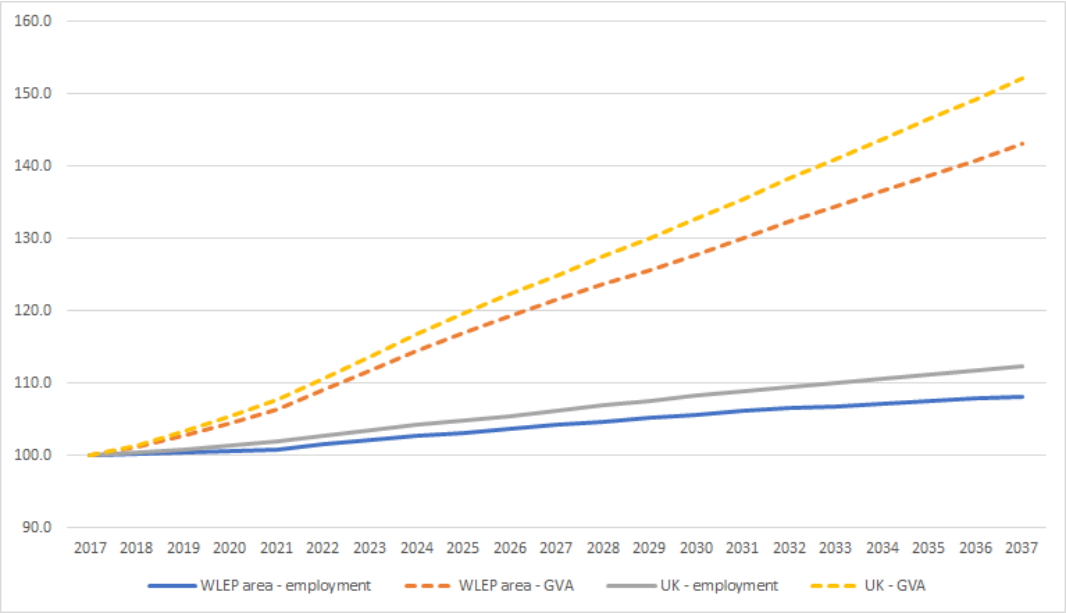
- the current level of workplace earnings is low. In comparison, the area is ranked much higher in terms of resident earnings – highlighting the continuing issue of residents commuting out of the area to high paid jobs often in the conurbation;
- the performance in terms of entrepreneurship is relatively poor;
- the area is ranked relatively highly in terms of a number of indicators of knowledge and technology – although not in terms of the service industries. However, its performance over the more recent 2011-15 period has been less strong;
- GVA per capita performance has been strong over the period 2011-15 – although this is due to a large extent to the relatively slower change in population;
- the area has performed relatively well in terms of claimant count unemployment;
- the change in working age population has been poor compared with other areas – this highlights a particular issue for the future associated with the aging population and the loss of younger age cohorts; and
- the performance in relation to higher level skills has been particularly strong.

4.6 Economic forecasts

4.6.1 Economic performance

Figure 4.1 shows the indexed projected change in employment and GVA over the 2017-2037 period using Experian forecasts (June 2017 release). These indicate that employment in the WLEP area is forecast to grow at a slower rate than the UK, with the gap forecast to widen. Although strong growth in GVA in the WLEP area is projected over the 2017-2037 period, it is forecast to continue to lag behind the UK, with the gap widening.

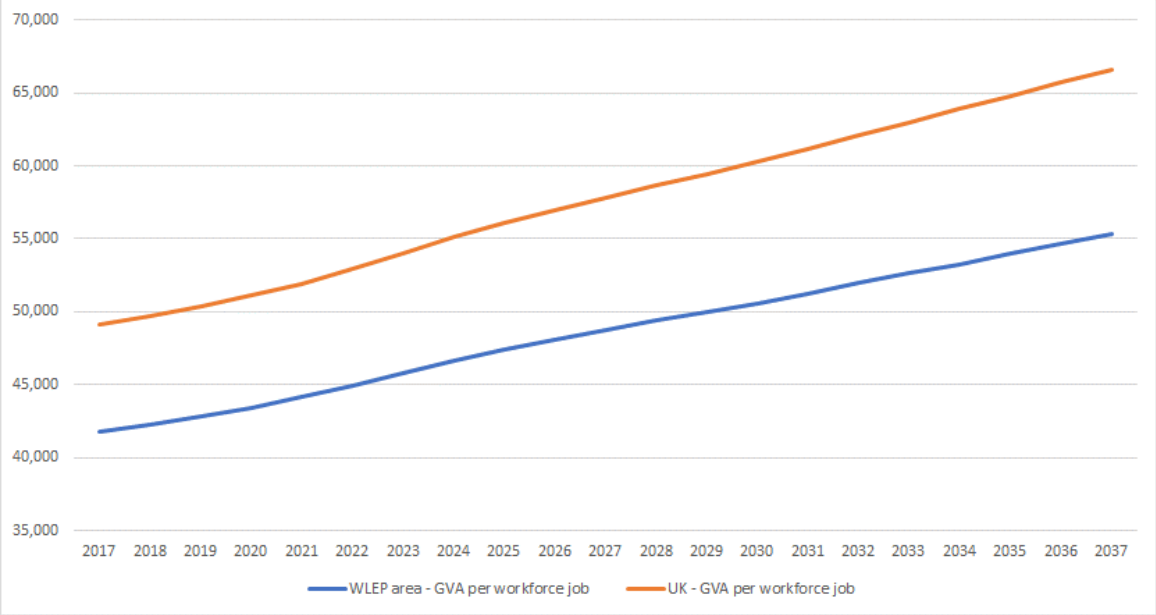
Figure 4.1: Indexed change in employment and GVA (2017 – 2037)



Source: Experian (June 2017 release)

With regard to forecast levels of productivity, Figure 4.2 shows the projected GVA per workforce job over the 2017-2037 period. This indicates that productivity is forecast to increase at a lower rate (32.2%) in the WLEP area compared to the UK (35.5%) between 2017 and 2037, and that productivity levels will lag behind the UK using this measure. This is not consistent with the relatively strong recent performance of the WLEP area in terms of GVA per job. However, it does indicate that without continued intervention and focus, the area could lag behind.

Figure 4.2: GVA per workforce job (2017-2037)

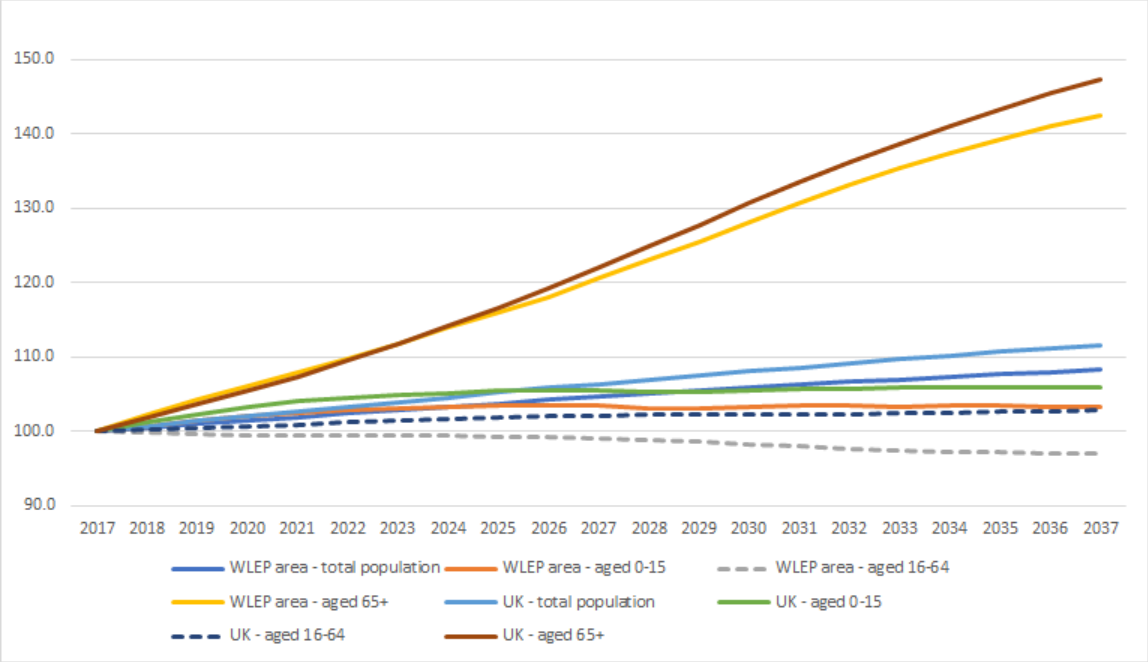


Source: Experian (June 2017 release)

4.6.2 Demographic performance

Figure 4.3 shows the forecast demographic performance of the WLEP area and the UK over the 2017-2037 period. This indicates that the high growth in the population aged 65+ in the WLEP area is expected to continue. It also indicates that the significant decline in the working age population of the WLEP area is forecast to continue.

Figure 4.3: Indexed change in population (2017 – 2037)



Source: Experian (June 2017 release)

The demographic projections highlight a potential shortage of workers in the future – with the forecast decline in working age population. In contrast, the population over 65 is expected to grow substantially. Whilst this can offer market opportunities, it also likely to represent a significant demand on public sector services and budgets.

5 Review of priority sectors

5.1 Introduction

Targeting sectors is a common approach – it provides a clear 'narrative' about an area's specialisms/strengths and can help to focus limited resources but needs to be balanced with more general interventions.

The following priority sectors were identified within the SEP:

- Advanced manufacturing;
- Agri-tech;
- Cyber security/defence/IT;
- Visitor and destination economy; and
- Professional and business services.

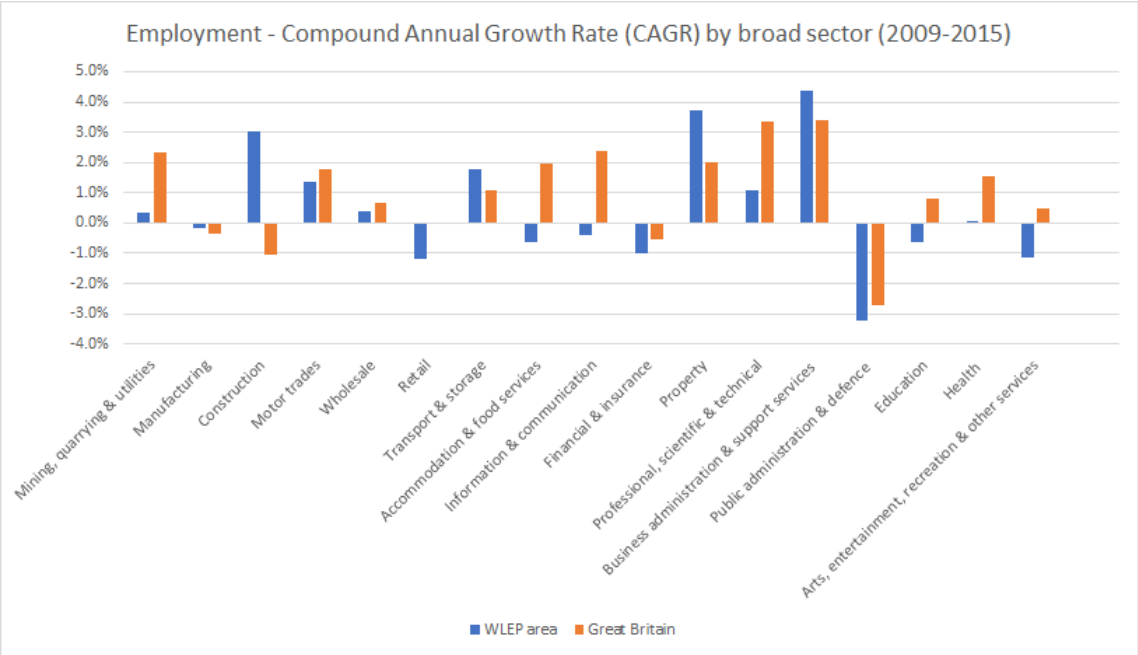
In terms of advanced manufacturing this was highlighted through the analysis of employment and GVA performance. However, the other sectors were selected due to local centres of excellence and perceived potential. For example, in the case of professional and business services this was focused on the potential of Worcester City to attract further activity of this type. The cluster of cyber security businesses located in and around Malvern formed the basis for the selection of cyber security/defence/IT.

The 2014 SEP identified the main growth sectors as housing; agri-tech; advanced manufacturing; and cyber security/defence/IT.

5.2 Overall sector performance

With regard to overall (broad) sector performance, Figure 5.1 shows that the 'business administration and support services', 'Property' and 'Construction' sectors have grown strongly between 2009 and 2015. However, there have been relatively large declines in employment in 'Public administration and defence'; 'retail'; 'financial and insurance'; and 'arts, entertainment, recreation and other services' sectors over the same period.

Figure 5.1: Employment – compound annual growth rate



Source: BRES

5.3 Key growth sector performance

Table 5.1 shows the performance of the key growth sectors using a Location Quotient (LQ[7]) analysis of 2015 Worcestershire employment levels compared to the UK, together with the Compound Annual Growth Rate (CAGR) over the 2009-15 period.

Table 5.1 Performance of key growth sectors

	Employment (2015)		2015 LQ (UK)	CAGR (2009-15)
	No.	% of Total		
Agri-tech	5,600	2.4%	1.40	0.5%
Advanced manufacturing	11,500	5.1%	1.78	0.8%
Cyber security, defence, IT	5,700	2.5%	0.80	0.8%
Visitor economy – narrow	17,200	7.2%	1.03	-0.2%
Visitor economy – broad[8]	24,900	10.6%	0.99	0.3%
Professional and business services	26,600	13.2%	0.77	2.8%
Total Worcestershire economy	**234,100**	**100%**	**1.00**	**0.2%**

Source: BRES

[7] A Location Quotient (LQ) is a measure of economic structure. The employment LQ is the ratio of (a) the percentage of regional employment in a particular industry to (b) the comparable percentage in a benchmark area (UK).

[8] **Visitor economy – broad**: also includes passenger transport, letting or operating of owned or leased real estate, passenger vehicle and equipment rental, exhibition/conference organisers, performing arts, operation of sports facilities and amusement / theme parks amongst other sub-sectors

The analysis shows that there are particular concentrations of employment in the 'Advanced manufacturing' and 'Agri-tech' sectors compared to the UK averages. Except for the 'Visitor economy' (narrow definition) sector, employment levels have increased across the key growth sectors between 2009 and 2015 and at a rate greater than the WLEP average.

5.4 Forecast sector performance

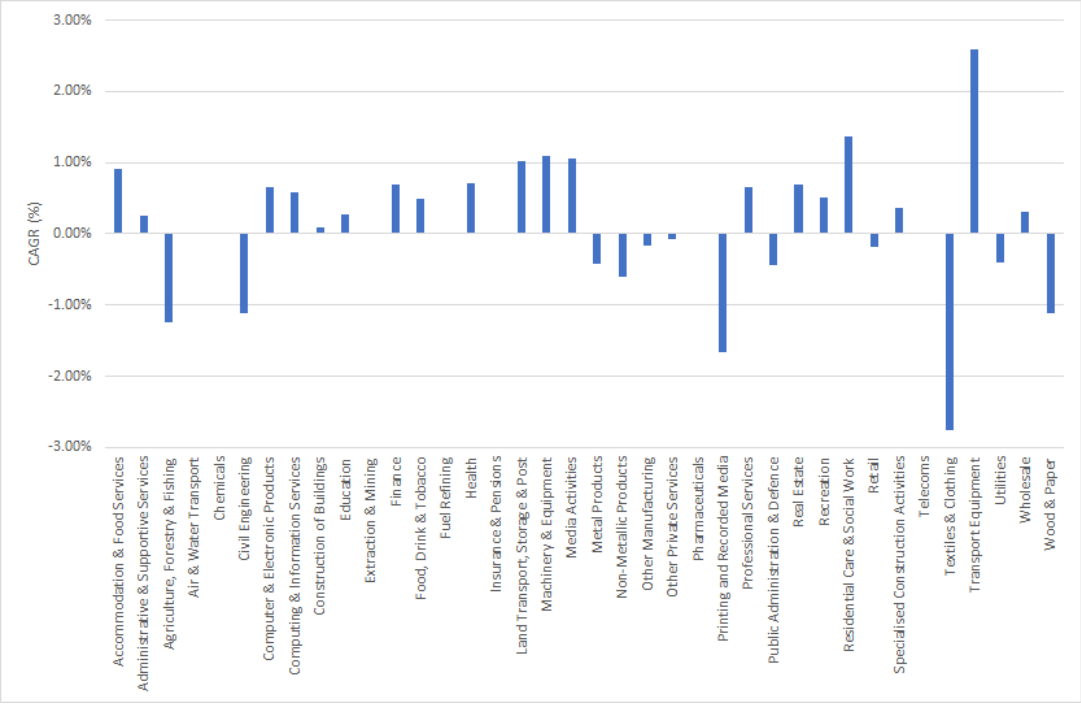
Figure 5.2 shows the CAGR (2017-2037) of employment in the 38 Experian sectors for the WLEP area. It indicates that significant levels of employment growth are expected within the following sectors:

- Transport equipment (2.59%);
- Residential Care & Social Work (CAGR 1.38%);
- Machinery & Equipment (CAGR 1.09%); and
- Media Activities (CAGR 1.06%)

The following sectors are projected to experience significant declines in employment over the 2017-2037 period:

- Textiles & Clothing (CAGR -2.76%);
- Printing and Recorded Media (CAGR -1.67%); and
- Agriculture, Forestry & Fishing (CAGR -1.25%).

Figure 5.2: Forecast employment – compound annual growth rate (38 Experian sectors)



Source: Experian (June 2017 release)

5.5 Target sectors

As part of the assessment of target sectors, Figure 5.3 overleaf provides an indicative analysis of the 38 Experian sectors by combining 2017 LQ analysis (comparing the WLEP area to the UK) with projected growth rate analysis between 2017 and 2037 for both employment and GVA in terms of both the UK and Worcestershire.

Figure 5.3: Forecast sector performance 2017-2037 (source: Experian, June 2017 release)

The sectors in the top right quadrants of Figure 5.3 have an Employment or GVA LQ greater than one and a higher employment or GVA growth rate than the UK or Worcestershire averages.

Based on an analysis of historic and forecast employment and GVA data, possible target sectors include:

- Manufacturing, for example:
  - Food and Drink
  - Machinery and equipment
- Services, for example:
  - Residential care / social work
  - Recreation
- Wholesale / distribution

The evidence is supportive of a focus on advanced manufacturing in particular. Furthermore, there is evidence for the possible inclusion of Health/Care/Medi-tech sub-sectors as a target sector, which would also build on the University's teaching and research expertise in these areas, although it will be important to focus on high value added components of this sector.

5.6 Conclusions

The identification of key sectors can help to focus interventions and ensure that limited resources are used in a targeted way. However, a balance needs to be struck with generic support also available more broadly.

On balance, the analysis indicates that there is a rationale for retaining the original priority sectors. Overall, all of the sectors have performed better in terms of employment growth than the Worcestershire average over recent years and there remain local assets upon which to build. Consideration could also be given to the possible inclusion of Health/Care/Medi-tech.

6 Strategic issues and gaps

6.1 Introduction

This Section sets out the strategic issues and gaps identified through this review of the 2014 SEP and local change. These are grouped into the place, people and business themes and recommendations made for re-aligning the 2014 SEP. The section also provides an overall conclusion to the Review.

6.2 Business

6.2.1 GVA, productivity and earnings

Recent GVA performance has been mid ranking compared with other LEPs but much better than over the longer term. There is a need to maintain this improved relative performance by investing in activities that support the drivers of GVA growth including high value added sectors, skills, access and commercial property.

The positive productivity performance is a strength to be built upon. In particular, by seeking to grow output at a greater rate and also to add further high value added jobs. This will help to increase the level of local workplace earnings and could help to reduce out-commuting commuting.

6.2.2 Business Growth and enterprise

The relatively poor performance in terms of entrepreneurship is a concern. This is an area where greater focus is required to ensure that there is a robust, diverse business base which can provide the basis for long-term sustainable growth.

6.2.3 Key sectors

The updated analysis broadly supports the current target sectors. In addition, there is evidence to support the possible inclusion of Health/Care/Medi-tech, with a focus on the high value added components of the sector. There is a need to continue to keep the sector targeting under review to ensure that support is targeted and delivering value for money.

6.2.4 Innovation

The area has a strong base of non-service sector technology industries. However, it's more recent performance is less strong than it has been over the longer term.

The WLEP area has demonstrated particular strengths in process innovation and new business practices but less so in other areas, such as product innovation and R&D.

Innovation is a further important driver of productivity and should be given continued emphasis, with a focus on key assets such as the University and Malvern Hills Science Park.

6.3 People

6.3.1 Quality of life and standard of living

The wealth generating capacity (GVA per capita) of the WLEP area has improved over the short-term, but remains relatively weak compared to other LEPs. This improvement reflects mid-ranking GVA growth and a relatively slow growth in total population.

Although the area has mid-ranking resident earnings levels, these have ranked much more highly than workplace earnings – highlighting the continuing issue of residents commuting out of the area to high paid jobs.

There are significant levels of net out-commuting, with this having increased between the 2001 and 2011 Census. There is a continued need to create local opportunities to reduce this flow.

6.3.2 Population

The WLEP area has an ageing population and falling working age population. There is a need to attract/retain younger people including in particular graduates. Linked to this is the requirement to rebalance the housing market in terms of type, tenure, affordability and allocations so that properties are available for younger people and families.

6.3.3 Labour market

The low employment growth and mid ranking employment rate performance compared with other LEPs suggests there is capacity for addition job creation. There is a need, given the forecast reduction in working age population, to develop mechanisms to assist older workers and to address pockets of deprivation.

6.3.4 Skills

The WLEP area has seen positive performance in terms of higher level skills, which are an important contributor to improved productivity and wage premia. There is a need to continue to support those with low or no skills, as well as to address the increasing skills shortages.

6.3.5 Social/economic inclusion

There is an indication that the scale of the pockets of deprivation have increased in Worcestershire. Since access to employment is a key factor in moving individuals and families out of deprivation this is another area where the LEP should work with its partners.

6.4 Place

A significant proportion of the WLEP's investments are being made in transport schemes. The accessibility of the area is a major asset upon which to build. However, there remain a number of access issues many of which – such as the to the Cotswold Line services to London – remain a priority, although these interventions often require significant resources.

There remain continued issues in terms of the availability of suitable employment premises.

Although there has been positive recent housing performance, there is a need to continue to promote supply that can help retain/attract younger people/families.

There is some indication that localised deprivation has worsened over the period 2010-15.

6.5 Overall conclusions

Overall, the main priorities of the 2014 SEP remain appropriate, although greater focus could be given to:

- business growth / entrepreneurship;
- high value added employment growth; and
- housing and its impact on the labour market.

The 2014 SEP Vision, objectives and cross-cutting priorities continue to be a highly relevant and a suitable structure to guide interventions. Moreover, evidence suggests that there is a rationale for retaining the original target sectors with the potential to add Health/Care/Medi-tech.

The LGF investments made to date have been slightly more focused on the place theme (and in particular, transport) and less so on business and people than the 2014 SEP proposed.

An assessment of the economic impact of the LGF funded projects currently underway indicates that WLEP investments are forecast to deliver significant impacts and greater value for money than was forecast in the 2014 SEP.

Appendix A: WLEP area data review

Change over time

Employment	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	Reduction good?
Employment	2009-2015	1.4%	30	5.0%	6.1%	
	2011-2015	3.8%	31	5.1%	6.3%	
Employees	2009-2015	3.0%	28	6.3%	7.1%	
	2011-2015	5.5%	27	6.3%	7.3%	
Productivity hours worked per week	2006-2015	-2.8%	37	4.5%	6.8%	
	2011-2015	1.0%	36	10.6%	7.4%	

Latest absolute data

Output and productivity	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
GVA	2006-2015	18.0%	32	22.1%	27.1%						
	2011-2015	16.1%	17	15.1%	14.8%						
GVA per filled job (smoothed)	2006-2015	19.5%	13	18.0%	19.7%	2015	£44,819	22	£44,612	£50,830	GVA per filled job (smoothed)
	2011-2015	11.1%	3	8.7%	9.0%						
GVA per hour (smoothed)	2006-2015	22.4%	9	17.1%	20.5%	2015	£28.2	23	£27.6	£31.8	GVA per hour (smoothed)
	2011-2015	13.9%	1	6.6%	7.9%						
Earnings (workplace) - median gross annual	2014-2016	3.6%	22	5.7%	3.7%	2016	£24,853	34	£26,379	£28,213	Earnings (workplace) - median gross annual

Entrepreneurship	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
Private sector business stock	2011-2016	10.7%	35	19.3%	22.5%						
Private sector business stock per 10,000 working age population	2011-2016	11.9%	34	17.9%	21.1%	2016	683	14	553	613	Private sector business stock per 10,000 working age population
Enterprise churn rate	2011-2015	1.3%	37	13.2%	13.3%	2015	19.5%	33	23.2%	23.8%	Enterprise churn rate
Change in proportion of age 16-64 self-employed	2007-2016	8.2%	25	11.3%	16.5%	2016	10.6%	19	8.9%	10.6%	Proportion of age 16-64 self-employed
	2011-2016	3.9%	27	7.2%	15.2%						

Innovation, knowledge and technology	Date	WLEP	LEP rank (out of 38)	West Midlands	UK		Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
Change in proportion of total employment in high / medium-high technology industries	2009-2015	-0.5%	12	7.0%	-6.6%		2015	4.9%	4	4.7%	2.9%	Proportion of total employment in high / medium-high technology industries
	2011-2015	-6.8%	15	2.6%	-7.6%							
Change in proportion of total employment in knowledge intensive service industries	2009-2015	-1.1%	28	-2.2%	1.6%		2015	41.9%	32	43.1%	48.6%	Proportion of total employment in knowledge intensive service industries
	2011-2015	-0.5%	25	-4.1%	0.4%							
Change in proportion of all in employment in highly skilled (SOC 1-3) occupations	2007-2016	24.3%	1	6.6%	9.8%		2016	48.6%	10	40.3%	45.0%	Proportion of all in employment in highly skilled occupations (SIC 1-3)
	2011-2016	3.6%	24	3.9%	4.9%							
Change in proportion of all in employment in low skilled (SOC 6-9) occupations	2007-2016	-7.4%	5	2.4%	-2.3%	YES	2016	31.2%	11	37.7%	33.9%	Proportion of all in employment in low skilled occupations (SIC 6-9)
	2011-2016	-4.0%	15	-1.3%	-2.3%	YES						

Quality of life and standard of living	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
GVA per capita	2006-2015	13.1%	32	15.0%	18.8%	2015	£20,387	26	£20,826	£25,601	GVA per capita
	2011-2015	13.7%	10	12.3%	11.6%						
Earnings (resident) - median gross annual	2014-2016	3.9%	16	4.9%	3.7%	2016	£26,494	22	£26,278	£28,213	Earnings (resident) - median gross annual
Life satisfaction	2011-2012 to 2012-2015	0.8%	N/A	2.9%	1.6%						

Labour market	Date	WLEP	LEP rank (out of 38)	West Midlands	UK		Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
Change in claimant count	June 2013-June 2017	-52.0%	9	-42.9%	-43.8%	YES	June 2017	1.3%	11	2.4%	2.0%	Claimant unemployment rate
Change in working age population	2007-2016	-1.3%	33	3.3%	3.9%							
	2011-2016	-1.1%	31	1.2%	1.2%							
Change in employment rate	2007-2016	0.5%	28	0.6%	1.9%		2016	76.2%	17	71.1%	73.8%	Employment rate
	2011-2016	5.2%	21	5.8%	5.7%							

Human capital	Date	WLEP	LEP rank (out of 38)	West Midlands	UK		Date	WLEP	LEP rank (out of 38)	West Midlands	UK	
Change in proportion of age 16-64 holding NVQ4+	2007-2016	40.2%	7	28.0%	33.3%		2016	39.4%	9	31.5%	38.0%	Proportion of age 16-64 holding NVQ4+
	2011-2016	29.2%	1	20.2%	16.6%							
Change in proportion of age 16-64 with no qualifications	2007-2016	-32.2%	33	-31.4%	-38.5%	YES	2016	8.0%	25	11.8%	8.3%	Proportion of age 16-64 with no qualifications
	2011-2016	-34.4%	11	-15.7%	-24.5%	YES						
Change in number of staff with skills gaps	2013-2015	2.3%	23			YES						

Housing	Date	WLEP	LEP rank (out of 38)		England
Change in the number of dwellings started (all tenures)	2012-2013 to 2016-2017	71.2%	19		57.4%
Change in the number of dwellings completed (all tenures)	2012-2013 to 2016-2017	44.8%	19		37.0%

Non-residential floorspace	Date	WLEP	LEP rank (out of 38)	West Midlands	England	Date	WLEP	LEP rank (out of 38)	West Midlands	England	
Change in Total floorspace	2011-2012 to 2015-2016	0.9%	N/A	1.0%	0.8%			N/A			
Change in Retail floorspace	2011-2012 to 2015-2016	1.2%	N/A	3.7%	2.4%	2015-2016	15.9%	N/A	15.7%	18.1%	Retail proportion of total floorspace
Change in Office floorspace	2011-2012 to 2015-2016	-1.4%	N/A	-1.1%	0.5%	2015-2016	8.9%	N/A	9.9%	15.7%	Office proportion of total floorspace
Change in Industrial floorspace	2011-2012 to 2015-2016	0.6%	N/A	0.2%	-0.1%	2015-2016	64.0%	N/A	65.2%	55.6%	Industrial proportion of total floorspace