

APPENDIX III

AN ECONOMIC STRATEGY FOR CHESHIRE EAST

2020 to 2025

ECONOMIC DATA

NOV-2019

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Building on our success

Cheshire East is one of the UK's most successful places with our economic performance consistently and significantly exceeding both the regional and national average.

A vibrant and resilient economy - Cheshire East makes a significant contribution to the economy generating £13.5bn which accounts for 44% of the Cheshire & Warrington total and 8% of the North West's GVA (CW&C makes up 33% and Warrington 23%).¹ For the period 2011 to 2016 our Gross Value Added grew by 3.8% per year on average in real (inflation-adjusted) terms; faster than both the North West (1.9%) and the UK (2.2%).² ³As of 2016, labour productivity (GVA per hour worked) was 4.1% higher in Cheshire and Warrington than in the UK⁴ and between 2010 and 2015 our employment growth in Cheshire East was 11.2%, more than double the regional rate (NW 4.8%) and well above the national rate (GB 6.8%).⁵

A strong and diverse business base – We have 20,230 businesses in the Borough (as of 2016), the highest figure in recent years which is the highest of any NW authority (district or unitary) area apart from Manchester.⁶ The business birth rate is well above the NW and UK averages (as of 2016) and business survival rates exceed the UK average with 91% of businesses surviving their first year in Cheshire East.⁷ The Cheshire Business Survey carried out in 2017 found that over 40% of Cheshire East businesses intend to increase their staffing levels and capital investment and 26% intend to increase the scale of their exporting activities and research and development with 93% of businesses identifying at least one benefit of Cheshire East as a business location.⁸

Quality of Place – We have a number of vibrant and historic towns located throughout the borough with attractive and varied townscapes, listed buildings and distinctive characters. They provide high quality living and working environments and are a key part of the borough's visitor economy. Many are also designated as conservation areas. A rich and historic environment provides the focus for vibrant and locally distinct communities, with a strong sense of place and self. The towns also provide a valuable link to rural communities, which are equally vital to the wider economy and local identity. Their conservation and enhancement is extremely important, to ensure that communities remain genuinely sustainable, retain their individual character and maintain their important economic function.

¹Regional Gross Value Added (Income Approach) 1997-2016 data, ONS, December 2017

² Regional Gross Value Added (Income Approach) UK 1997-2016 data, Office for National Statistics (ONS), December 2017.

³Data series ABML and ABMM, from the time series dataset released as part of the 'Quarterly National Accounts: Quarter 3 (July to Sept) 2017' ONS Statistical Bulletin, Dec 2017.

⁴ Sub-regional Productivity: Labour Productivity (GVA per hour worked and GVA per filled job) indices by Local Enterprise Partnership, ONS, February 2018.

⁵Business Register and Employment Survey (BRES) open access data series for 2009-15, Office for National Statistics (ONS), NOMIS. Crown Copyright 2018. Notes: [1] Figures include self-employed people registered for VAT and PAYE schemes - as well as employees. Self employed people not registered for these schemes, along with HM Forces and Government supported trainees, are excluded. [2] Figures exclude farm-based agriculture.

⁶ Business Demography – 2016: Enterprise Births, Deaths and Survivals, Office for National Statistics (ONS), November 2017.

⁷Business Demography – 2016: Enterprise Births, Deaths and Survivals, Office for National Statistics (ONS), November 2017. [2] ONS mid-year population estimates for 2016, including revised estimates for 2012-16 (March 2018 release). Crown Copyright 2018. ONS licensed under the Open Government Licence v. 3.0.

⁸ Cheshire Business Survey 2017

Rural Economy and Environment - The rural aspect of Cheshire East is significant in terms of population, economic impact and its contribution to the borough's quality of place. It helps to define the character of the place, but brings with it both the constraints and opportunities that are peculiar to rural areas. We want to ensure we have a place that is attractive, delivering vibrant town centres and an area offering high quality in both urban and rural places. Maintaining a strong quality of place can help ensure that we attract and retain the inward investment, skilled workers and visitors we need to grow our economy.

Education - The borough has major educational assets, in terms of skills development and knowledge transfer, in the form of; 2 Further Education colleges, Cheshire College – South and West Crewe Campus and Macclesfield College; Reaseheath College, agricultural specialist and Centre of Excellence for Agri-tech with over 7000 students; Crewe University Technical College associated to local advanced manufacturing and engineering design businesses including Bentley Motors and Siemens; plus Jodrell Bank is of great scientific significance as a leading facility for radio-astronomy and scientific research in the UK.

A skilled workforce – Cheshire East's population is amongst the most highly qualified in the country with attainment at all levels higher than the national average and over 45% educated to Level 4 and degree-level compared to 38% nationally.⁹ Around 35% of current occupations in Cheshire East are either professional or managerial¹⁰, and there is a future forecast need for 11,000 new managers and 27,000 professionals over the period from 2016 to 2025 (mainly to replace older workers as they retire).¹¹ With 15 higher education institutions including Manchester and Liverpool within a 50 mile radius providing access to around 40,000 new graduates each year, the area would seem to be well placed to capitalise on its growth potential.

Unemployment - has declined significantly over the last few years and overall the proportion of the working-age population in Cheshire East claiming out-of-work benefits has decreased between 2011 and 2016 from 8.3% to 5.9%.¹² There are also low and declining numbers of NEET (not in education, employment or training) young people; the 3 month average NEET figure has fallen by 22% from 412 in 2014/15 to 323 in 2015/16.

Good neighbours – The Cheshire East economy does not operate in isolation being influenced by interactions with the neighbouring economies of Manchester, Liverpool and the Midlands which provide employment and business opportunities and access to research and knowledge resources and cultural facilities. Although it is predominantly a rural area, Cheshire East benefits from unrivalled access to the country's major land, air and sea routes.

Connectivity - Quick and easy travel throughout the region and the wider UK is possible thanks to convenient access to the national motorway and railway networks with more than 40 trains from Crewe to London each day and a travel time of 90 minutes. Opportunities for international travel and trade are enhanced by the area's proximity to two major airports; Manchester Airport (the UK's busiest outside London) and Liverpool John Lennon Airport.

⁹Annual Population Survey, January to December 2017, Office for National Statistics (ONS), NOMIS. Crown Copyright 2018.

¹⁰ Source: Annual Population Survey – Workplace Analysis, April 2017 – March 2018, Office for National Statistics (ONS), NOMIS. Crown Copyright 2018.

¹¹ Baseline projections from the Cheshire & Warrington Econometric Model (CWEM). Projections were obtained using Cambridge Econometrics (CE)/IER LEFM software and are consistent with CE's UK Regional Forecast of August 2017. Additional data preparation and aggregation by Cheshire East Council.

¹²'Benefit claimants - working age client group' data sets for November 2011 to November 2016, DWP Benefits data, ONS, NOMIS. Crown Copyright 2018.

Businesses in the sub-region also have access to good quality maritime trade links via the Port of Liverpool and the Manchester Ship Canal.

Housing delivery – Housing completions in Cheshire East have been rising steadily for the past 5 years and we have exceeded our Local Plan target for housing delivery for 2017/18; delivering 2,321 new homes against a target of 1,800. We have also almost doubled the target of 355 affordable homes, providing 655; 28% of new households in the Borough. CEC achieved 183% in the National Housing Delivery Test and in 2017/18 was the 8th nationally for housing delivery – building more homes than major cities such as Sheffield and Leeds and more than any London Borough.

Growing Cultural and Visitor Economy – The visitor economy is an important contributor to the Cheshire East economy with over 11,780 jobs associated with the tourism industry. Cheshire East welcomes around 16 million visitors each year and figures reported in 2018 demonstrate that the Borough's visitor economy grew by 4.6% on the previous year in 2017 amounting to a sector total of £963 million with a target to grow to over £1bn by 2020.

A set of key growth sectors – The Borough also boasts significant company activity in high-value and high-skilled sectors such as scientific research and pharma, digital and creative, advanced manufacturing, financial and insurance and transport and logistics. This mix of high growth sectors and leading international brands, many of which are exporters, means that Cheshire East has a significant potential for growth:

Life Science and Pharma Sector - Cheshire East has particular strengths in advanced scientific research and in pharmaceuticals R&D and manufacturing. AstraZeneca, Recipharm (formerly Sanofi), Waters Corporation and the Alderley Park Accelerator are some examples of important businesses in these sectors. Cheshire East hosts an estimated 20.0% of the region's and 1.6% of the UK's scientific R&D jobs which account for 1.0% (2,000) of the Borough's jobs; an employment share which is 2.5 times higher than the sector's share in Great Britain as a whole (0.4%). The pharmaceutical production sector is even stronger hosting an estimated 37.5% of the region's and 7.7% of the UK's jobs, an employment share (1.5%) which is 15 times higher than the sector's share in Great Britain as a whole (0.1%). CRO (Contract Research Organisations) are an integral part of the pharmaceutical, biotechnology and medical device industries. These independent research businesses are a key growth area and Cheshire East is home to 25 including Cyprotex, the world's largest CRO specialising in ADME Tox and bioscience services, with its headquarters in Alderley Park.

Advanced Manufacturing – Manufacturing continues to be an important sector to Cheshire East supporting around 23,000 jobs within the Borough with nationally significant contributions of activity particularly in the automotive sector and its supply chain. Manufacturing growth is clearly demonstrated by Bentley Motors' growth programme and growth of an advanced manufacturing cluster including Autoliv, Siemens, Oliver Valves and BAE Systems. Instrumentation is another growing niche sub-sector. Digital technologies such as additive manufacturing, data analytics, 'the internet of things' (the extension of internet connectivity into physical devices and everyday objects), augmented and virtual reality are transforming manufacturing operations and improving productivity and there is growth potential in the application of these technologies within small and medium sized businesses.

Creative & Digital – Whilst Cheshire East has well established strengths in areas such as life sciences and manufacturing, one of the fastest growing sectors is creative and digital industries. At the heart of the North's creative cluster, the Borough is home to over 2,000 companies employing around 7,500 people and generating a turnover in excess of £500

million a year. There are an estimated 1,250 jobs in software development with specialisms in gaming particularly. Although most are small businesses, there are a number of leading firms including Warner Bros owned TT Fusion makers of Lego Games in Wilmslow; Cloud Imperium Games in Wilmslow; ThinkPositive's European Design Centre in Bollington; and McCann in Prestbury, the largest advertising agency outside London. It's viewed by the council as a key sector in terms of supporting growth and prosperity across the whole of its patch, particularly for rural areas. The Creative & Digital sector is also increasingly important to support other areas of the economy, including advanced manufacturing, life sciences and research, and financial technology or 'Fintech'. There is a particular strength in Medical Communications Agencies including; Ashfield Healthcare, McCann Health, Adelphi Group, Fishawack Group, Healthcare21 and Prime Global for example; and Cheshire East has significant financial technology companies such as Barclays Global Technology Centre in Knutsford, Fujitsu, Assurant, Royal London, Atos Origin and rapidly expanding Radius Payments Solutions, Quintessential Finance Group and Mobica which collectively employ around 5,000 skilled staff. The Creative and Digital sector is clearly growing but could be further enhanced through the development of wider networks, support systems and skills that provide the 'creative ecology' needed.

Agri-tech – The productivity of traditional sectors in food and agriculture has been transformed by technology through agri-tech initiatives and food chain innovations. Cheshire East has a strong agri-food sector, employing 7,500 workers (4% of all jobs in the Borough). Roughly two-thirds of these jobs are in agricultural activities which have a high level of specialisation and a share of employment that is 1.7 times higher than in Great Britain. Moreover, the sector is growing in Cheshire East, contradicting the negative national growth trend. Manufacture of food is less specialised, but still above national average and employs 2,500 jobs indicating the presence of local supply chains in the broader agri-food industry. There are opportunities for growth in these activities, for instance developing automation and agri-tech (to increase productivity) or exploring synergies with the visitor economy recognised by engagement with the Agri-Tech West Alliance. The sector is also important for the preservation of landscape and the natural environment, to sustain the rural economy and to maintain the local identity of the place.

Transport and Logistics – Transport and Logistics is a large sector in Cheshire East, employing around 9,000 workers. Warehousing and road transport of freight are the two largest sectors, employing 3,000 to 4,000 jobs each and with high levels of specialisation. The employment share in the road transport of freight sector is about twice the Great Britain average. Transport of freight by rail is smaller in employment but is a sector of great concentration in Cheshire East. Transport and Logistics is a strategic sector for Cheshire East, given its geographical location (proximity to Greater Manchester and gateway to the Midlands), the forthcoming HS2 hub station in Crewe, and the future economic potential of this sector in growing higher value and skilled jobs related to automation and digital solutions. There might be further opportunities from HS2 related to engineering and construction, with the Borough already being home to major employers including Atkins, AECOM, Arup, CH2M Hill, Mott MacDonald, Bombardier, Unipart Rail Keltbray, Virgin Rail.

Visitor Economy – The visitor economy sectors¹³ employ a very large number of workers (just under 20,000) which represents 10% of total employment in Cheshire East, making it an important area of activity. More than half of jobs in the visitor economy sectors are concentrated in food and beverage service activities (which includes pubs, restaurants, cafes, etc.). However, the most specialised sector is accommodation, which has also a high concentration of jobs (3,000). Both these sectors experienced job growth over the past 5

¹³ Visitor economy is defined as a broad sector including accommodation (e.g. hotels), food and beverage services (e.g. bars and restaurants) and activities related to tourism and leisure (e.g. sports and recreation activities, travel agencies, etc).

years. This means that, despite not being yet a clear area of strength in the Borough, there is potential to continue to grow the local visitor economy. This is also a strategically important sector for its potential to contribute to the sustainability of the rural economy and to generate positive economic effects on place marketing and promoting inward investment.

Clean Growth/Low Carbon - The UK Industrial Strategy predicts that the clean growth/low carbon economy is estimated to grow by 11 per cent per year through to 2030 (four times faster than the rest of the economy) and could deliver between £60 billion and £170 billion of export sales of goods and services by 2030. The sector in Cheshire East is sizable with over 5,000 employees and £0.5bn in sales as far back as 2011. The Council will support the further development of this sector, working with the Local Enterprise Partnership to deliver the Energy Strategy and clean growth aspects of the Local Industrial Strategy, supporting innovation by all businesses, promoting energy and climate resilience, and accelerating market development of energy and low carbon technologies such as heat and power networks and smart technologies. This will help to realise an ambition to create a competitive and sustainable economy while reducing rather than increasing overall carbon emissions.

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Addressing our challenges and barriers to growth

We have made significant progress, with a programme of action for economic growth in place flowing from the Local Enterprise Partnership's Strategic Economic Plan and our growth proposals. However, there are a number of challenges that could affect our ambition to sustain this growth.

Productivity growth - It has been well documented that growth in productivity (or output per hour worked) in Britain is lagging behind most leading western economies and whilst productivity growth in the Cheshire and Warrington area is above both the regional and national average, it has still not recovered to 2007 levels. The overall GVA performance is driven by some very large, high value companies which mask any underperformance in other sectors and the wider SME population. The economy is therefore not as resilient as it may appear.

A declining workforce and ageing demographic - The total working age population has contracted in nearly every year between 2008 and 2017 with a marked decrease in 25 to 34 year olds as proportion of total population. The number of older people (aged 65 and above) has increased by 78.3% between 1981 and 2017 and in the last 6 years of this period, grew by 2.9% per year compared to an average growth rate of 0.4% for the Borough's total population. This not only implies that the demand for health and social care services will increase but will cause significant replacement demand for jobs. This replacement demand is estimated at 230,000 across Cheshire and Warrington for the period 2011 to 2025, around 90,000 jobs in Cheshire East.

Skills mis-match – Employers across Cheshire East continue to report that too many young people are not prepared adequately for the world of work and do not have the skills they require. Only 23% of employers report to have employed an apprentice during the 2012 to 2017 period and student enrolments are decreasing in the sectors predicted to grow i.e. high-value engineering and manufacturing technologies and critical public and private services in health and social care.

Significant commuting flows both in and out of the Borough – There is a net inward flow of workers in the 25 to 34 year old age range in particular commuting to employment opportunities within the Borough. This along with some significant outflows as well, not only puts pressure on transport networks and infrastructure but also implies that there are skills mis-matches for our residents and businesses. In a recent business survey 45% of businesses say they have experienced recruitment difficulties and 83% cited skills gaps as an issue. Interventions to address the mismatch could clearly improve productivity.

Skills policy – There is a challenge to the FE sector both nationally and locally to be as responsive and flexible as employers want/need due to funding policy, reduced capacity and reorganisation. Changes to post 16 policy and the impact of this, particularly the introduction of new T-Level qualifications in 2020¹⁴ provide further challenge with no Cheshire East schools or colleges within Cheshire East set to deliver them.

Apprenticeship growth – Cheshire East performs relatively well in terms of the number of apprentice start-ups in the area but the Government target of 3 million apprenticeship starts is indicative of high growth. There has been little or no increase in learner take-up of science, technology, engineering and maths (STEM) subjects since 2011/12 with a continued decline in females in these subjects. Higher level / degree level apprenticeship

¹⁴ T-Levels are new two-year level 3 technical programmes that will sit alongside apprenticeships and A Levels within a reformed skills training system, primarily aimed at 16-18 learners.

provision is small with very few providers currently and the new Apprenticeship Levy has been difficult for employers to manage efficiently.

Health related worklessness - Across Cheshire East there are approximately 50,700 economically inactive residents of which over 10,000 are claiming employment support allowance or incapacity benefit. Recent research by the LEP suggests that there are high concentrations of those too sick to work within the sub-region including parts of Cheshire East. This represents a significant loss of potential that could be applied for the benefit of economic growth.

Low pay progression – Approximately 22% of the working age population in Cheshire East are experiencing either low pay i.e. earning less than 2/3 of the median wage, or short term employment with many cycling between the 2 with low productivity and unequal access to opportunity. Low paid jobs are often in areas of comparable wealth where workers are unlikely to be able to afford housing and need to commute. Low paid work is also strongly associated to insecurity of employment and non progression with only 25% of workers escaping the low pay 'trap' within 10 years.

Significant pockets of acute deprivation exist within the Borough – Whilst employment and incapacity benefits levels are on average better than the national figures, there is a more mixed picture at a local level. 18 of Cheshire East's 234 Lower Layer Super Output Areas (LSOAs)¹⁵ are among the 20% most deprived in England, according to the most recent (2015) Index of Multiple Deprivation (IMD), which is up from 16 in the previous (2010) IMD. Most (13) of these 18 areas are in Crewe, though there are others in Macclesfield (2) and in Alsager, Congleton and Wilmslow (1 each). 6 LSOAs, all of them in Crewe, rank among England's top (most deprived) 10%. (Conversely, 98 of the 234 LSOAs in Cheshire East are amongst the 20% least deprived in England, including 63 that are amongst the 10% least deprived.)¹⁶

Constraints on development - The newly adopted Local Plan is supporting our growth ambitions with 2,500 acres of land allocated for housing, current planning consent for 20,000 units and 400 sites under construction. The delivery of strategic sites is important for growth and to support job creation and there is an immediate need for premises and good quality open ready sites, particularly in the North of the Borough. There are constraints around the delivery of brownfield sites, the cost, availability and resilience of infrastructure and also on utilities, especially power. Digital connectivity is a further issue and there is a need to develop full fibre capability and accelerate 5G deployment.

Pressure on transport networks – Whilst 60% of businesses identified access to road links as a benefit of Cheshire East as a business location, traffic congestion is the most commonly cited disadvantage. Cheshire East is predominantly rural in geography with limited public transport infrastructure which can lead to challenges including travel to work, travel to learn and access to basic economic infrastructure services (including broadband, telephone and gas services). The scale of the challenge in Cheshire East is evidenced by the recent growth in CO2 emissions from transport, which is 45% of the total (most of this from road transport) whereas other sources of carbon are being reduced.

Graduate attraction and retention - Larger firms report that retaining experienced graduates is a challenge with employees often seeking job opportunities in more established commercial centres and major cities. Each year over 5,000 young people go to University

¹⁵ LSOAs are sub-ward areas which the Office for National Statistics created for statistical purposes. They are intended to be of roughly equal size (in terms of population).

¹⁶ English Indices of Deprivation 2015, Department for Communities and Local Government (DCLG) (now the Ministry of Housing, Communities and Local Government), September 2015.

outside the sub-region and very few return. In considering these factors and the global trend of movement of people and businesses to cities, the region is challenged by attracting and retaining both businesses and workforce. The future of higher education is further challenged as Manchester Metropolitan University is to withdraw from its Crewe Campus in 2019.

Housing offer does not match demand - The current variety of housing mix and tenure does not meet our requirements considering rural geographies, an aging population and the need to support jobs led growth. The priority is to ensure that the right mix of housing tenure is delivered in the right places, where the jobs are, and at the right time in preparation for and along with development, not after development has taken place.

Exit from the EU – It is important that the Council fully understands the impacts of emerging changes as a result of the UK's Exit from the EU and that contingency plans are put in place and action is taken to ensure that it is continuously working to deliver public services as economically, efficiently and effectively as possible focusing on key risks and opportunities and areas of possible influence in the local area. Key challenges include having to adapt to new regulations and the administrative costs associated with these; business remaining competitive in the face of additional trade barriers (e.g. tariffs), exchange rate changes that affect export/ import prices; the impact on overseas visitor numbers and spend; impact on overseas students coming to study in or near Cheshire East. The local economy will be facing the challenges of retaining a skilled workforce, appeal of the UK with reduced access to the single market and uncertainty undermining investment decisions.