

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO OVERVIEW AND SCRUTINY COMMITTEE 2

7 FEBRUARY 2018

REPORT OF THE CORPORATE DIRECTOR - COMMUNITIES

ECONOMIC PROSPERITY OF BRIDGEND COUNTY BOROUGH

1. Purpose of the Report

- 1.1 To inform Overview and Scrutiny Committee 2 of the contribution of the work of the Regeneration Service in relation to economic development and worklessness programmes and European Union (EU) funding for skills.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 This report supports the following corporate priorities:
- Supporting a successful local economy
 - Smarter use of resources

3. Background

- 3.1 The importance of a prosperous and healthy economy can hardly be overstated. Most measures of personal well-being have a direct relationship to whether an individual is in employment. Many problems the Council and other organisations have to deal with, for example poor health, have a clear relationship to employment issues.

- 3.2 A local authority's ability to influence the local economy however is quite limited. The context is largely set by national and international factors. Many of Bridgend County Borough's (BCB's) biggest private sector employers have to adjust to constant changes and conditions in a global market. Similarly the impact of welfare reform for Bridgend will have a profound effect on local communities. Changes to Tax Credits and Housing Benefit for example, within Universal Credit, will impact extensively on those who are already in employment. Also, the outcome of Brexit will not be known for years to come but it is considered that many parts of Wales are at high risk of Brexit related consequences with exposure likely to be higher in West Wales and the Valleys. The development of the Cardiff Capital City Region and the Swansea Bay Region will also influence the economic prosperity of Bridgend.

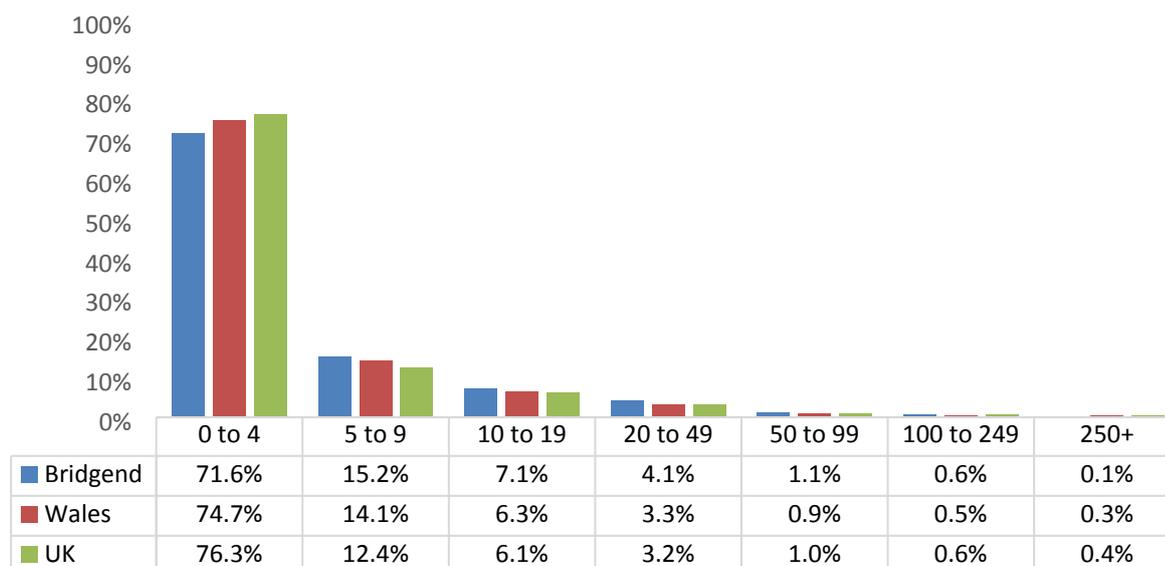
Nevertheless, the local authority can still play a significant role in attracting investment and creating jobs. To give just one example, the Special Regeneration Fund in a period from 2010, has created 223 jobs in the County Borough, and 137 local businesses have received support for investment projects. 82 new businesses have been set-up through support from the fund.

- 3.3 The economy of the UK was hit hard by the global financial crisis at the end of the past decade. Only through many different attempts at stimulating the economy has

it been possible for the UK to get back to a stabilised, albeit weakened, economy. In 2015, the economy of the UK was the second largest in Europe - trailing only Germany - and number five in the world by Gross Domestic Product (GDP).

- 3.4 BCB has fared reasonably well over the long-term. For example, figures released by the Welsh Government towards the end of 2014 showed that over the twelve years between 2001 and 2013, which included one of the worst economic downturns in history, BCB had seen workplace employment growth of 18%, considerably above the Welsh average of 8% and UK average of 7%. In real terms this means there were 10,000 more people in work in 2013 than there were in 2001. When one considers the headline grabbing factory closures and job losses over that period – Christie Tyler, Sony Bridgend, Kraft, Cooper Standard, Cosi-Budelpack (formerly Revlon), Harman Becker, Dairy Farmers, Kimball Electronics, Lloyds Bank Call-Centre etc., it is a remarkable performance. It is also indicative of how quickly labour markets can change.
- 3.5 In 2015 there were 3,515 enterprises in Bridgend which makes up 4% of all enterprises in Wales (97,800). Population estimates (2014) suggest that the number of enterprises per capita (per person) in Bridgend is slightly less than in Wales and the UK overall with 0.025 enterprise per capita in Bridgend compared to 0.032 in Wales, and 0.038 in the UK. However, the data also shows that the number of enterprises in Bridgend is increasing at a quicker rate than for Wales as a whole with a 10% increase from 2010 to 2015 in Bridgend compared to a 9% increase in Wales in the same period. However this is still less than the average rate of increase across the UK which stood at 12%.
- 3.6 There are however proportionally fewer enterprises in Bridgend at both ends of the employee bands (up to four employees as well as more than 250 employees) with a similar pattern evident when compared to the whole of the UK. There is a greater prevalence of enterprises in Bridgend of a small and medium size than typically found throughout Wales, however the county borough remains dominated by self-employed and micro-enterprises (which collectively account for almost 87% of all enterprises). A micro-business is defined as one which has fewer than ten employees and a turnover or annual balance sheet total of less than €2 million.

Business Size Comparison



- 3.7 Although Bridgend has proportionally fewer large enterprises (250+ employees) than Wales as a whole, Bridgend has more employees in the large enterprises band. In other words, the proportion of large enterprises is higher in Wales as a whole but those enterprises employ more people, overall, in Bridgend. In general, business size comparisons in terms of both employees and enterprises mirror those seen across the UK. In addition to the variations in the size of enterprises in Bridgend and Wales as a whole, there are some notable differences in the sectoral makeup of Bridgend.
- 3.8 For the most part there is a similar spread of businesses across each industrial sector in Wales and Bridgend. However, there are some notable exceptions with the main differences being in agriculture and manufacturing. As could be expected in a comparably densely populated authority such as Bridgend, only a small proportion of enterprises operate in agriculture – 3% compared to 14% in Wales as a whole. The other significant difference is in manufacturing where Bridgend has almost twice the proportion of enterprises in this sector compared to Wales as a whole (10% of Bridgend enterprises are in the manufacturing sector compared to 6% in Wales). The sectoral makeup of both Bridgend and Wales illustrates that a smaller proportion of enterprises are operating in professional, scientific and technical activities (12%) than seen in the UK as a whole (18%).
- 3.9 The most recent data from the Annual Population Survey suggests lower levels of qualifications amongst those of a working age in Bridgend than Great Britain as a whole. However the percentage of those qualified at NVQ4 level or above in Bridgend is slightly better than Wales (36.3% and 35.1% respectively). The figures are however lower than at the national level (38.2%). A higher proportion of Bridgend's working age population have no qualifications compared with both Wales and the UK (10.7%, 9.6% and 8.0% respectively).
- 3.10 There have been some important changes occurring in the context for economic development work. The current round of EU resources has been channelled into major Welsh Government initiatives. There was no European money this time around for local authority business support schemes such as Local Investment

Fund, Social Enterprise support and Green Shoots (supporting micro enterprise growth in the rural wards). The Welsh Government has utilised European funding to push forward with the delivery of Business Wales as the national provider of business support and the creation of a Development Bank for Wales for business investment, in line with its view that all business support should be delivered on a national basis. Local authorities under continuing economic pressures have already made and are having to make more difficult decisions in all areas of work including economic development services.

- 3.11 In this context it is important to set out how the economic development and skills resources available can best support the corporate objective of supporting a successful local economy.

4. Current Situation

Economic Development

- 4.1 In 2010 there were 7.7 FTE staff employed by the Council exclusively working on economic development activity in Bridgend. Specific areas that have been delivered in the past have included inward investment, local business support (including the delivery of the Local Investment Fund scheme), direct grant assistance for companies, social and community business support, international trade/exporting, environmental and industrial estate improvements, business events/Business Forum, property database/location services, redundancy response, supporting enterprise in schools through the Education Business Partnership and the delivery of the Sirrolli model of enterprise facilitation.
- 4.2 The Economic Development Unit became part of the Economy and Natural Resources Team in 2016 following a restructure and now has 3 staff - Team Leader, Business Support Officer and an Events Coordinator. It has been a similar story with regard to Tourism which is now part of the Economy and Natural Resources Team. In 2010, there were 11.3 people employed, whereas today there is only 1 person employed as a Destination Management Officer. It is fair to say that both services are now running at the minimum level possible to maintain a meaningful presence in these areas.
- 4.3 Economic Development activity has a marketing and events budget of £52,000. It also has £120,000 of capital funding through the Strategic Regeneration Fund (SRF) to support start-up businesses and existing businesses seeking to invest and grow. It can also support businesses wishing to locate in the BCB area.
- 4.4 The Economy and Natural Resources Team service plan is pared down to its essentials and taking into account the context set out in section 3 earlier, the key areas where actions are still considered relevant, add value and represent effective use of resources, are as follows:
- Supporting new business start-ups
 - Supporting existing local businesses to develop
 - Supporting new investment into the area
 - Marketing and Communications

- 4.5 **Supporting new business start-ups:** Enquiries are dealt with in the team and appropriate support guidance is given. Specifically, a “kick-start” grant is available to support business start-ups. This is 50% funded by UK Steel Enterprise and 50% by the Strategic Regeneration Fund capital budget. It offers small grants (up to £2,000) to new starts and businesses in their first year of trading. A total of 22 businesses have been supported this financial year with a further 5 applications pending. A total of £22,341 has been awarded with 27 jobs created. The scheme is now on hold as the budget has been allocated. It is anticipated that further funding will be made available through the SRF from April 2018 to support the continuation of the Kick Start Fund. Since the scheme has been on hold a further 23 enquiries have been received for start-up funding. This type of support is not available through the national Business Wales programme.
- 4.6 **Supporting existing businesses to develop:** enquiries from local businesses are responded to and can be assisted through the SRF capital budget. This allows grants of up to £5,000 or 40% of the eligible investment, whichever is least, to be made to small and medium sized businesses making capital investments and creating jobs. A total of 20 companies have been supported to date in this financial year with 28 jobs created and 54 jobs safeguarded. £80,000 has been awarded in grants with the businesses investing a further £144,000. Eight applications are pending. Like the Kick Start scheme, this has been oversubscribed and is now on hold. Since the scheme was put on hold a further 6 SRF enquiries have been received.
- 4.7 A further way local businesses are supported is through the **Bridgend Business Forum**. This gives businesses an opportunity to network locally with other businesses, facilitating the opportunity to increase local trading. The Forum has over 800 members and is chaired by Ian Jessopp, Managing Director of KK Solutions. The Events Coordinator acts as the Secretariat for the Forum supported by the Corporate Marketing and Communications Team. Recently the Forum activities have been strengthened with the creation of an Executive Group made up of local business representatives.
- 4.8 Linked to the Forum, but not limited to Forum members, a series of business events are organised. On average 24 events are held a year. For the 2017/18 year, 23 events have been held so far with an aggregate of 1,178 delegates attending, which are made up of local business owners from a cross section of companies based in Bridgend. These events vary in topics ranging from updates on issues relevant to businesses such as employment law and utilising social media, networking events, to high profile events such as the Bridgend Business Forum Awards and St. David’s Day breakfast.
- 4.9 Other ways local businesses are supported are as follows:
- Referrals to other business support organisations such as Business Wales, Business in Focus, Welsh Government and Development Bank for Wales, as may be appropriate.
 - A local Business Directory is hosted on the Council’s web site. The number of businesses listed currently stands at just over 1,500.

- Labour market data is produced and disseminated on a monthly basis. This provides information on subjects such as employment, unemployment, occupations, qualifications, earnings and employment by sectors.
- Monthly e-mail news updates on topics of interest to them as businesses.

4.10 **Supporting new investment into the area:** Welsh Government act as the lead for attracting foreign investment into Wales. In terms of attracting investment from other parts of the UK, between 2000 and 2014 the 10 local authorities in South Wales worked with the Welsh Government under the umbrella organisation “Capital Wales”. Each authority, and Welsh Government, made an annual subscription and a campaign was implemented by Capital Wales on behalf of the region. This had mixed success and eventually Welsh Government and Cardiff City withdrew, signalling its demise in 2014. This has left a gap which it was hoped would be filled by the Cardiff Capital Region and, more recently, City Deal. Until such time as a new programme of activity is introduced, new investment enquiries, such as the Heathrow Logistics Hub, are dealt with in the Economy and Natural Resources Team.

4.11 **Business Events, Marketing and Communications:** To underpin the above activities, Economic Development has a marketing and events budget of £52,000 per annum. The key items of expenditure and how they relate to the action areas set out above are as follows:

- Business events – the larger events (the Bridgend Business Forum Awards ceremony and St. David Day’s Breakfast) are operated on a break-even basis, with the income from sponsorship and paying attendees generally equaling the cost of holding the event. The remaining events organised – generally over 20 per year – are not charged. These are regarded as services designed to support local businesses in a variety of ways such as providing useful information and encouraging local networking. The merits of charging for events have been considered, and the conclusion was that the potential gains would largely be offset by the administrative costs of charging. However, it is the intention to trial charging for attendance at the Social Media workshops in 2018, to determine whether this is the case in practice.
- Advertising – advertising raises awareness of the services available to local businesses from the Council, including the events being organised, and assists in promoting the area generally and showcasing local businesses, for example through the Bridgend Business Forum Awards. Videos of events and attendees being interviewed are placed on the Bridgend Business Forum web site to showcase the events and local businesses. Photography is used for media releases, to support other promotional articles.
- A subscription is made to host the Council’s on-line Business Directory. It provides a useful resource for local companies across all sectors and for external users researching information on businesses based in BCB. Users can search through a variety of different criteria such as company location, size and sector. When a business registers it receives the latest updates on funding available, business events and seminars in the form of regular e-shots or within the monthly e-news updates. The Directory can be e-mailed

out in a PDF format. It is also used for the Council's own economic development marketing purposes and is used for direct mail and e-mail activity. There are over 1,500 businesses on the Directory.

- Design and Print – this is utilised when professional assistance is required in relation to the production of promotional material and literature and web page improvements.

Economic prospects

- 4.12 As stated earlier a local authority's ability to influence the development of the economy at macro level is limited and it is possibly even more difficult to predict the future prospects without a great deal of speculation. However, recent research by PWC, KPMG, Institute of Chartered Accountants, the Organisation for Economic Cooperation and Development (OECD) and the Office for Budget Responsibility (OBR) have generally agreed that the economic outlook for the UK is challenging. Using these references, a recent report by the Bevan Foundation has assumed that if Wales follows the UK's trajectory there will be 'Tough Times Ahead'.
- 4.13 In terms of economic output the UK is widely expected to grow around 1.4% over the year. PWC expect GDP (gross domestic product) growth in Wales to be slightly below the UK rate and while better than Scotland, Northern Ireland and some English regions, the gap between Wales and the UK average is stubbornly persistent.
- 4.14 Almost all forecasters anticipate a modest increase in UK employment with unemployment remaining at around 4.3% over the year. Currently this figure for the County Borough stands at 5%.
- 4.15 Some of the larger public infrastructure projects may also have an impact on the future economic prospects of the County Borough. The recent announcement by Welsh Government to financially support the Swansea Bay Tidal Lagoon may help in getting the project underway. Closer to home the Welsh Government's Brocastle site at Waterton has been 'longlisted' together with sixty-five potential sites for the proposed Heathrow logistics hubs.
- 4.16 The Heathrow expansion has been described as the first major infrastructure project in the UK to pioneer the large-scale use of logistics hubs. The plans for logistics hubs are part of a wider commitment by Heathrow to use the expansion to revolutionise the way the UK builds major infrastructure and to spread the economic benefits of the project right across the country. Seven sites in Wales have been 'longlisted'. The current construction programme envisages a start on site (Heathrow) of 2020, with the peak of the Logistic Hubs' activity taking place between 2023 and 2030.
- 4.17 Plans were agreed last August for the development of a new Watersports Centre in Porthcawl and preparatory work should begin this year. The harbour kiosk is planned to be refurbished, with new showers, toilets and other facilities for boats using Porthcawl Marina.

4.18 On 31st January 2017, Cabinet approved an application for EU funding for a scheme for facilitating the development of enterprise hubs in the County Borough, to address the shortage of industrial units in the area. This will assist in broadening opportunities for entrepreneurship and higher value business. The Economy Team are currently waiting for further guidance from Legal and Finance on State Aid issues, before progressing to the next steps.

EU Training Programmes for Skills

4.19 **Strategic context:** The comparatively lower skill levels in this area, has been referred to earlier. There are a large number of contributory factors, which are not possible to cover in this report. However, there is a clearly identified need to develop a demand-led skills system that is driven by the needs of industry and which delivers employment and skills support in response to the growth potential within the regional economy.

4.20 Key regional challenges/priorities are to:

- Increase productivity;
- Address skills gap, focusing on specific sectors;
- Increase qualification levels to meet demand and future proof the workforce;
- Improve the take-up of apprenticeships and increase the range of opportunities;
- Support and enhance industry engagement with education and the marketing of career opportunities and pathways; and
- Develop a regional employability plan that will support more people into work

4.21 **Regional Skills Structures:** within South East Wales, the regional skills partnership Learning Skills and Innovation Partnership (LSKIP) is tasked with 4 main roles:

- to produce and analyse labour market information aligned to economic intelligence to inform the skills requirements in the regions and inform future priorities for funding linked to a co-investment policy;
- to provide a mechanism to review regional skills provision and advise Welsh Government on future prioritisation of skills funding in line with regional employment and skills needs;
- to act as a strategic body effectively representing regional interests to inform a demand-led and sustainable skills system, ensuring that this is informed by strong industry engagement and takes into account the level of skills utilisation in the region, and
- to act collectively and strategically to maximise future available funds acknowledging the likely reduction in public funds over the coming years.

4.22 LSKIP is required to agree priorities through an annual 'Regional Employment and Skills Report' submitted in March and a 'Regional Plan', offering a more detailed demand/supply assessment, in September of each year. The current plan can be viewed here:

http://www.lskip.wales/downloads/170731_Employment%20Skills_Plan_eng.pdf

4.23 LSKIP is working closely with the Cardiff Capital Region City Deal and is expected to formally become the Cardiff Capital Region Skills Partnership from April 2018, advising on both City Deal and wider issues. The partnership is governed by its

cross-sector Employment and Skills Board, chaired by Leigh Hughes, Business Development & Corporate Social Responsibility Director, Bouygues UK. Local government is represented by Cllr Debbie Wilcox, Leader of Newport CC (skills lead within the City Deal Joint Cabinet) and Richard Crook, Director for Environment and Regeneration at Blaenau Gwent (skills lead within the City Deal Programme Board).

- 4.24 The Cardiff Capital Region City Deal makes specific reference to a number of skills objectives including the development of a regional Employability Plan. A task and finish group has been established to develop a draft plan by March 2018. The group is chaired by Richard Crook and has a cross-sector membership including officers from Welsh Government, HE and FE.
- 4.25 **Direction of travel within Welsh Government post Brexit:** there is a need to consider the potentially significant impact following the UK's departure from the European Union (Brexit) on labour supply and skills availability if restrictions are placed on the free movement of labour from other European countries. Succession plans are also needed for European Union funded programmes.
- 4.26 Responding to Brexit has been included as one of the eight priorities within the region's current Employment and Skills plan - to develop succession plans for European Union funded programmes post-Brexit. The SE Wales Regional Engagement Team, hosted by Bridgend CBC, is working closely with LSKIP on this. The Team is supported by 3 externally funded Regional Engagement Team officers. Their role is to ensure cross sector engagement and alignment with the strategic ambitions of the region to maximise impact of investment.
- 4.27 Welsh Government has now launched its consultation on Regional Investment in Wales after Brexit, with comments needing to be submitted by 23rd March 2018. Welsh Government is holding 2 consultation events, with the South Wales event being held on the 25th January 2018. Officers will be attending the event and will report back. The consultation and supporting documents can be viewed here: http://gov.wales/funding/regional-investment-in-wales-after-brexit/?lang=en&_ga=2.199369070.1785683465.1516012837-2007784582.1474446328

Worklessness Programmes

- 4.28 Bridges Into Work 2 (BIW2) is an ESF-funded project, which is led by Torfaen County Borough Council and includes 5 local authorities in South East Wales who are eligible for the West Wales and the Valleys European monies. BIW2 commenced in April 2015, and will continue until March 2020 but is expected to gain an extension until December 2022. The project targets are clients aged 25+, living outside Communities First (CF) areas who are economically inactive or long term unemployed. The majority of the council's match-funding is 'in-kind' support, made up of premises, IT, payroll and other similar costs.
- 4.29 Currently, the project is exceeding both its performance targets and is on profile financially. To 31st December 2017, the project has worked with just over 400 participants (4.6% above target), 199 people have gained qualifications (15.1% above target) and 65 people have entered employment which is 24.6% above target. The project works with employers who take participants on work experience and as a result of this, often then offer employment. There are many interesting

case studies which show the impact the project can have on the lives of people. The project works out of 'job clubs' which take place in the various communities of Bridgend, as well as the town centres.

- 4.30 There are 2 other ESF-funded projects in the authority; Communities for Work, based in Operational and Partnership Services, which works with people who live in CF areas, aged 16+ and Inspire for Work, based in Education, which works with those aged 16 plus across Bridgend. There is currently some duplication in services, not of Bridgend's making, but there is work in progress within the Council to better align these programmes and to complement the wider Anti-Poverty agenda and grants from Welsh Government. This includes projects such as Flying Start, Supporting People and Families First, and the aim is to have a more coherent offer for the client as well as making some efficiencies in back office services.
- 4.31 Work is also underway, in partnership with the 5 local authorities involved with BIW2, to develop 2 new projects for Bridgend to target those people who are in work. Nurture Engage Thrive (NET), will tackle in-work poverty by finding opportunities for clients to secure more working hours, more pay per hour or more secure employment so that the client is better off.
- 4.32 This will be supported by Working Skills for Adults (WSFA), which will give people in employment, who do not have more than an NVQ level 2, an opportunity to gain a higher qualification and be the catalyst to improve their earning potential. Wide consultation shows that this is very popular, as this will help to address in-work poverty. It is also intended to improve the sustainability of other projects that place clients in employment, but have to 'let go' once the job starts. NET and WSFA will support those people to stay, and progress, in employment.
- 4.33 The Regeneration Service's core staffing resource for skills and worklessness is one part-time officer. The funding for this post is utilised alongside SRF, and in-kind contributions, to lever EU grant-funding. For example, for BIW2, the breakdown is as follows:

Total cost	£2,355,238
EU Grant	£1,816,398 (77.1216%)
BCBC cash match	£161,058
BCBC staff match	£149,400
FR40 match*	£228,382

*FR40 is a simplified cost agreed up front by Wales European Funding Office and is calculated from 40% of the eligible total staff costs on the project. This amount is then added to the total project cost and is used to support the delivery costs on the project.

For a small cash contribution, a significant scale of resource can be leveraged, to deliver skills and worklessness programmes. However, without the investment of the core member of staff, and the Strategic Regeneration Fund, this would not be possible.

Conclusion

- 4.34 To a large extent, Bridgend's economy reflects the structural weaknesses of the Welsh economy as a whole, as characterised by low productivity, low pay and over-reliance on the now shrinking public sector for secure, well-paid employment. However, there are also strengths to build on, and for many years, the economic development work undertaken by the council has focused efforts on encouraging small businesses to invest and expand. It is difficult to explain why the numbers of people without levels qualifications in the working age population in Bridgend should be lower than both Wales and the UK, given that education provision is quite consistent across England and Wales. However, the impact of this is clear, and the welfare reform agenda has made this more apparent. For this reason, while the historic focus of the Council's work in this area has been on helping unemployed people access the labour market, there is now also an imperative to assist those in work, to access better paid and more secure employment.
- 4.35 The decision to exit from the EU will have significant consequences for economic development and skills work across the UK. Historically, the EU has been a major funder of this work, and the extent to which there will be replacement funding to fill the gap created, is very uncertain. EU regional policy has focused on 'closing the gap' between developed and less developed areas, and Bridgend has benefitted financially from this. However, if replacement funding programmes were to focus, for example, on those areas most able to deliver productivity and jobs growth, both Bridgend and Wales as a whole would lose considerable resources.
- 4.36 In total, the number of core funded (i.e. not grant funded) staff implementing the economic development, tourism and skills programmes in the Regeneration Service is 4.5 compared with 20.0 in 2010, a reduction of 77.5%, generating significant financial savings for the authority. This has been achieved in a variety of different ways – for example use of alternative delivery methods, technology, social media, and leverage of external resources. This is the base level of staffing required to deliver a meaningful economic development, tourism and skills agenda.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None.

6. Equality Impact Assessment

6.1 None required for this report.

7. Financial Implications.

7.1 None arising from this report.

8. Recommendation.

8.1 It is recommended that the report be noted.

Mark Shephard
Corporate Director - Communities

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Contact Officer: Satwant Pryce
Head of Regeneration, Development and Property Services

Telephone: (01656) 643151

E-mail: satwant.pryce@bridgend.gov.uk

Postal Address Civic Offices,
Angel Street
Bridgend
CF31 4WB

Background documents

Latest Labour Market Statistics – [Click Here](#)

Bridgend County Borough Profile 2017 – [Click Here](#)