Item 9

STOKE-ON-TRENT AND STAFFORDSHIRE

LOCAL ENTERPRISE PARTNERSHIP

EXECUTIVE GROUP MEETING

17th May 2018

Development of the Local Industrial Strategy

Introduction

At the LEP Executive Group on 15th February 2018 it was agreed that an element of the core funding carry over from 2017/18 should be utilised to commission work to strengthen the LEPs understanding and plans to support key industrial sectors. This is important as while many of the decisions of policymakers are considered to be "horizontal" (i.e. not sector specific decisions such as corporation tax rates and various forms of regulation), many other decisions have a clear impact on industrial sectors. With this in mind, the Government has made an explicit decision to be clearer in the choices that are made that affect certain sectors, making sure that these are clearly linked to the Industrial Strategy.

In order to fully consider the sectors which may be of most importance to the future of Stoke-on-Trent and Staffordshire, a number of pieces work analysing the industrial structure of the area have been completed in recent years. A note has been produced (see appendix) which provides a summary of this research, including additional evidence where appropriate. This provides the basis for the recommendations to now progress to tender for consultancy support in developing Sector Growth Plans, complementing a range of activities that are already in progression. This will enable the LEP to fully consider how we can support our most important industrial sectors, thereby aiding the development of our Local Industrial Strategy.

Background Information

The evidence summary provided in the appendix shows that once the sectors that have a strong presence in all parts of the country are discounted (namely health, education and retail), **manufacturing** remains the most significant local specialism in Stoke-on-Trent and Staffordshire with employment and GVA far in excess of many parts of the country. Within the broad manufacturing sector there are a number of industries which the LEP has identified as being important through its Strategic Economic Plans and these remain relevant. A great deal of work has already been progressed by the LEP with regards to these niche industries, particularly applied materials / ceramics, agricultural technologies and energy / low carbon.

Stoke-on-Trent and Staffordshire also has a number of **office-based sectors** that have a strong presence within the area. Many of these businesses are relatively small in size and are within a range of industries, with a particularly large number of businesses in the 'administrative & support services' and 'professional, scientific & technical' sectors. The Strategic Economic Plan references the importance of a number of office-based sectors including business & professional services, digital / creative / cyber and medical technologies (as part of the broader life sciences sector). Some activity has already been progressed, or is progressing, with regard to these industries although given that many of the industries within this sector provide the high-value jobs that the LEP is targeting, further consideration of how office-based sectors can be further supported is likely to be beneficial.

The area also has a strong **construction** sector which contributes a significant amount to the local economy in terms of GVA. It is believed that this sector has the potential for growth given the sheer number of planned major **infrastructure** projects within Stoke-on-Trent and Staffordshire in the coming years. It may also be that other construction related specialisms may be supported, such as off-site construction.

There are a number of other sectors that are clearly important to the local economy but it is not considered require further research. The tourism / visitor economy sector employs large numbers of people and our many attractions attract a vast number of visitors to the area. However, a lot of work in support of this sector is already undertaken by local authority teams and the Destination Management Partnership. The logistics and distribution has grown substantially in recent years although the major determinant of growth within this sector is the allocation of land through the planning process, a matter dealt with by local authority planning policy teams and evidenced through Employment Land Reviews. It is therefore questionable as to any additional value that would be added by Sector Growth Plans for these sectors.

It will also be important to consider how we may take advantage of opportunities within sectors that are not currently considered to be strengths within Stoke-on-Trent and Staffordshire. As an example, we are aware from inward investment inquiries that there has been interest in developing train manufacturing operations within the area in recent years, despite the fact that we do not currently have other companies of this type within the area. There are likely to be potential opportunities within this sector, not least due to the development of HS2, whilst this would clearly fit within our broader manufacturing sector and more niche industries such as automotive and aerospace.

The Sector Growth Plans will also need to consider how increased levels of productivity can be supported within our existing industries, including through diversification. This is likely to be particularly relevant to traditional manufacturing industries which may or may not fall within one of the niche sectors identified within the Strategic Economic Plan.

The funding identified for the development of the Sector Growth Plans will be used to tender for consultancy support. Given that the plans will need to cover a range of industries which are very different in nature, it may be appropriate to have separate tenders for each plan or ensure that the successful consultancy sub-contracts for specialist support.

Recommendations

To agree to tender for consultancy support in developing Sector Growth Plans as follows:-

- To cover the following three broad sectors:-

    1. Manufacturing
    2. Office-based sectors
    3. Construction and infrastructure

- Each Sector Growth Plan will need to outline how sector growth will be supported within Stoke-on-Trent and Staffordshire (an action plan) with a focus on the LEPs priorities of infrastructure, sites / premises, innovation, business support and skills. This will need to include consideration of:-

    1. The work that has already been progressed by the LEP and/or partner organisations in relation to each of these sectors and the industries within them, with particular regard to the specialisms identified in the Strategic Economic Plan. This is to avoid duplication and ensure that the Sector Growth Plans are only providing added value.
    2. Any opportunities for growth that are not currently considered to be strengths within Stoke-on-Trent and Staffordshire.
    3. How increased levels of productivity can be supported within our existing industries, including through diversification.
    4. The alignment of sectors to relevant regional and national strategies and funding streams, including the Midlands Engine and national Industrial Strategy.

- LEP, partner and business engagement in the development of each of the Sector Growth Plans as appropriate.

Appendix – Industrial Sectors Evidence Review

Summary / Recommendations

After discounting a number of sectors which are large in all parts of the country, such as retail, health and education, **manufacturing** remains the most significant local specialism in Stoke-on-Trent and Staffordshire with employment and GVA far in excess of many parts of the country. Alongside 'manufacturing' there are a number of **office-based sectors** that have a strong presence in the area, whilst the development of a number of niche sectors which are office-based will vital in providing the high-value jobs we are targeting. There are also a number of other sectors that are not within the manufacturing or office-based sectors, but do provide growth opportunities and need to be considered.

Manufacturing Specialisms

- Automotive / rail
- Agricultural technologies – currently being progressed through the 'Agri-Tech' West work
- Applied materials – ceramics is the key element of this sector locally and this is currently being progressed through the Ceramics Sector Deal
- Energy / low carbon – currently being progressed through the Energy Strategy

Alongside these range of niche sectors within the broader manufacturing industry, a sector growth plan for manufacturing may consider issues such as diversification and improving productivity within our existing traditional manufacturing industries.

Office-Based Specialisms

- Business & professional services
- Digital / creative / cyber
- Medical technologies (part of life sciences)

Other Specialisms

- Construction
- Logistics and distribution – growth of the sector largely driven by the allocation of employment sites
- Tourism / visitor economy – lot of work is already progressing through local authority teams and the Destination Management Partnership

1. Introduction

1.1. While many of the decisions of policymakers are considered to be “horizontal” (i.e. not sector specific decisions such as corporation tax rates and various forms of regulation), many other decisions have a clear impact on industrial sectors. With this in mind, the Government has made an explicit decision to be clearer in the choices that are made that affect certain sectors, making sure that these are clearly linked to the Industrial Strategy.

1.2. The benefits of supporting businesses with the greatest opportunities for growth, in sectors that will enhance the local economy, are clear. While the decisions of Government have had a significant impact on the sectors that have performed strongly in recent years, such as the creation of an enterprise zone at the London Docklands in 1982, clearly local authorities and decision makers can also impact greatly on the sectors that are successful in the local economy.

1.3. A comprehensive understanding of the types of businesses located in the area, the spatial location of these businesses and the economic geographies that these businesses operate within is vitally important to delivering an economic vision that will deliver a more prosperous Stoke-on-Trent and Staffordshire (S&S), including through the development of sector growth plans for the area.

1.4. In order to fully consider the sectors which may be of most importance to the future of S&S, a number of pieces work analysing the industrial structure of the area have been completed in recent years. This note provides a summary of this evidence, including additional evidence where appropriate.

2. Broad Industrial Structure of the Local Economy

2.1. In terms of employment, the largest industrial sectors in S&S are ‘wholesale & retail trade’, ‘human health & social work’, ‘manufacturing’, ‘administration & support services’ and ‘education’. However, due their nature a number of these sectors are large sectors in all parts of the country. The ‘wholesale & retail trade’ sector is dominated by supermarkets, whilst all areas require public services including doctors and schools.

Fig 1.1—Ranking of each industrial section in Staffordshire & Stoke-on-Trent
(Based on total proportion of each economic measure it accounts for)

INDUSTRY	BUSINESSES (TOTAL)	SMALLER BUSINESS < 50 EMPLOYEES	LARGER BUSINESS 50+ EMPLOYEES	OVERALL EMPLOYMENT	GVA
A : Agriculture, Forestry & Fishing	14TH	14TH	17TH	19TH (!)	17TH
B: Mining & Quarrying	19TH	19TH	19TH	18TH	19TH
C: Manufacturing	5TH	5TH	1ST (Joint)	3RD	2ND
D : Electricity, Gas & Air Con. supply	18TH	18TH	18TH	17TH	18TH
E : Water supply, Sewerage & Waste Mgmt	17TH	15TH	17TH	16TH	16TH
F : Construction	4TH	4TH	11TH	8TH	4TH
G : Wholesale & Retail Trade (incl. vehicle repair)	2ND	2ND	4TH	1ST	1ST
H : Transportation & Storage	9TH	9TH	6TH	7TH	6TH
I : Accommodation & Food	7TH	6TH	8TH	6TH	11TH
J : Information & Communication	10TH	10TH	12TH	12TH	10TH
K : Financial & Insurance Services	13TH	13TH	13TH	14TH	12TH
L : Real Estate	15TH	15TH	15TH	15TH	15TH
M : Professional, Scientific & Technical	3RD	3RD	9TH	9TH	8TH
N : Administrative & Support Services	1ST	1ST	5TH	4TH	7TH
O : Public Admin. & Defence	16TH	16TH	7TH	10TH	9TH
P: Education	11TH	11TH	1ST (Joint)	5TH	5TH
Q: Human Health & Social Work	6TH	7TH	1ST (Joint)	2ND	3RD
R : Arts, Entertainment & Recreation	12TH	12TH	10TH	11TH	14TH
S : Other Service Activities	8TH	8TH	14TH	13TH	13TH

The table above gives a ranking out of 19 for each industrial section, based on the proportion of the total it accounts for within the measure listed in the column heading. Those ranking 1st are the industrial sections account for the largest proportion of the listed measures, while those ranking 19th account for the smallest proportion.

2.2. Given that a number of the largest sectors have a significant presence in all areas and are not likely to require any direct intervention to support their development, it is suggested that they can be discounted for consideration in the development of sector growth plans. '**Manufacturing**' therefore remains the most significant local specialism in Stoke-on-Trent and Staffordshire with employment and GVA far in excess of many parts of the country.

2.3. Alongside 'manufacturing' there are a number of **office-based sectors** that have a strong presence within Stoke-on-Trent and Staffordshire. Many of these businesses are relatively small in size and are within a range of industries with a particularly large number of businesses in the 'administrative & support services' and 'professional, scientific & technical' sectors. As highlighted in section 3, there are a number of niche industries within Stoke-on-Trent and Staffordshire which are office-based and given that many of these industries provide the high-value jobs we are targeting, these are likely to be prime candidates for the development of sector growth plans.

2.4. A number of other sectors have a relatively strong presence within Stoke-on-Trent and Staffordshire and need to be considered.[1] In particular the area has a strong '**construction**' sector and this has the potential opportunity for growth given the sheer number of planned

[1] Labour Market Profile - Stoke-on-Trent and Staffordshire, NOMIS, https://www.nomisweb.co.uk/reports/lmp/lep/1925185562/report.aspx#tabempocc

major infrastructure projects within Stoke-on-Trent and Staffordshire in the coming years. The area has also seen very strong growth in the '**transport & storage**' sector due to the areas central location and the large number of logistics developments, with a number of further planned or proposed developments which are already known. It is however debatable as to whether this sector will require any support in its development besides the allocation of further employment sites as appropriate. Stoke-on-Trent and Staffordshire is also home to many visitor attractions which have supported the development of a strong visitor economy. However, given the work of the Destination Management Partnership and existing tourism strategies it is again debatable as to whether any further work is required in considering the support needed to develop this sector.

3. Industrial Specialisms

3.1. Considering the broad sectors that make up the industrial structure of S&S provides only part of the picture. The area has a number of niche industrial specialisms which have been highlighted as providing significant opportunities for growth through various pieces of work in recent years.

3.2. Manufacturing Specialisms

3.2.1. <u>Agricultural technologies</u>

3.2.1.1. 'Agri-tech' is a relatively embryonic sector that will largely focus on the development of innovative technologies related to agriculture and food production. Currently a large proportion of funding for agri-tech research and development activity is directed from national research organisations to a small number of institutes and centres that are largely located in the East and South East. Whilst the concentration of arable farming in the East and South East means that the area is well suited to agronomy, greater opportunity in terms of the commercialisation of agri-tech research and development may exist in other associated sectors in different parts of the country. Livestock farming in the area around Staffordshire and Shropshire is one of these opportunities, as are opportunities around mechanisation and robotic application given the manufacturing strengths that exist within the area.

3.2.1.2. The area is home to and closely situated by renowned research and development institutions, particularly Harper Adams University, a number of closely associated industrial sectors with local strength including applied materials and medical technologies, excellent connectivity to national and international markets and major local employers in related industries such as JCB, Muller and Adams Foods. The South Staffordshire College AgriSTEM campus also provides cutting-edge learning facilities relevant to the Advanced Manufacturing & Engineering and Agricultural Engineering & Technology sectors. Given the land-based nature of this sector and the fact that large parts of S&S are rural, the availability of land is also an asset which sets us apart from areas more urban in nature.

3.2.2. Applied materials

3.2.2.1. Originally a part of the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) City Deal, the work to develop the Applied Materials Research, Innovation and Commercialisation Company (AMRICC) highlighted the potential to build upon existing strengths of materials companies and innovation in the area. Comprising of a research laboratory, pilot plant and educational facility, AMRICC has the opportunity to provide an environment which joins together scientific success with the business acumen needed to make innovation a commercial reality. The most appropriate location for addressing applied materials issues lie in its industrial heartland and the area is home to leading companies in these sectors: polymers (Bostik, Fuchs Lubricants, Michelin); metals (JCB, Caterpillar, Goodwin International) and ceramics (Steelite International, Wedgwood Waterford, Royal Doulton, Lucideon). Ceramics in particular provides S&S with a national USP, and the emerging National Ceramic Sector Industrial Strategy is being led from within the S&S area.

3.2.3. Automotive / rail

3.2.3.1. The automotive industry is of particular significance to the local economy in the West Midlands and accounts for a large share of total employment in the area. A strong cluster of automotive companies exists throughout the area, with major car manufacturers present such as JLR, Toyota, BMW, Mini, Rolls Royce and Bentley. The further development of this sector is therefore an opportunity across the Midlands.

3.2.3.2. S&S's central location has seen it develop a strong and varied automotive cluster with a number of automotive-related companies already located in the area including:

- Specialist powertrain and vehicle engineering company Zytek / Continental Engineering Services in Fradley.
- The Jaguar Land Rover engine plant at i54 South Staffordshire.
- Gestamp which designs and manufacturers chassis structural and suspension products.
- Global tyre manufacturers Michelin and Pirelli in Stoke-on-Trent and Burton upon Trent respectively.

3.2.4. Energy / low carbon

3.2.4.1. Keele University Sustainability Hub acts as a focus for the research into, teaching of, and management for sustainability and green technology that takes place at Keele University. Building upon this the university aims to significantly expand its capacity in energy / renewables research, particularly around wind, solar and geothermal.

3.2.4.2. S&S has a strong cluster of companies within the environmental technologies sector, including the District Heat Network and many renowned international brands such as Siemens and

General Electric. These companies already invest heavily in research and development, and this could be actively supported by high quality academic research to create truly innovative energy solutions.

3.3. Office-Based Specialisms

3.3.1. Business & professional services

3.3.1.1. The business & professional services sector is often considered to be largely made up of the industries that support other businesses. This includes professions such as accountants, solicitors, advertising and consultancy to name a few.

3.3.1.2. Given the peri-urban characteristics of much of S&S, being largely rural in nature but heavily influenced by surrounding major cities, there is an opportunity to take advantage of our strategic location to further develop the business & professional services sector. To do this we will need to position ourselves to take full advantage of the opportunities that arise to develop the services that will support economic activity in Birmingham, Manchester, Derby, Nottingham and within Stoke-on-Trent itself. In particular, Stoke-on-Trent's continuing development of the Smithfield business district will deliver a modern commercial environment, which has already attracted business & professional service providers (e.g. Water Plus).

3.3.2. Digital / creative / cyber

3.3.2.1. S&S has a strong track record in attracting digital companies and nurturing local talent. Our software development sector is particularly strong in the energy, medical and entertainment fields, and comprises companies ranging from start-ups to international players such as Synectics, bet365, Instem and Navman Wireless.

3.3.2.2. Both Staffordshire University and Keele University have respected expertise in film and media. In turn, the area has seen the rise of a number of successful graduate-based creative businesses in the area, such as Junction 15 Productions, Inspired Film and Video and Entrepreneurs who have recently moved their screen printing function to ACAVA Studios: Spode Works. British Ceramics Biennial, which is also held at Spode, is recognised both nationally and internationally. The £4M Creative People and Places programme Appetite has raised the profile of arts and culture in the City, which will strengthen the Stoke-on-Trent bid to become City of Culture in 2021.

3.3.2.3. Creative industries are growing in S&S, particularly in terms of TV and video production. The BBC's new presence in Salford Quays has encouraged the concentration of companies in this industry in S&S, and may continue to offer opportunities going forward. The take up of the newly established ACAVA Studios at Spode, which is providing 43 studios, is a good indication of the growth in this sector.

3.3.3. <u>Medical technologies (part of life sciences)</u>

3.3.3.1. The medical technologies sector is still a relatively small sector in terms of employment numbers, although healthcare as a whole is the largest employment sector in S&S and has grown substantially in recent years, in large part likely to be due to the areas ageing population (a 'grand challenge' identified within the national Industrial Strategy). Although starting from a small base, employment in scientific R&D in medical technologies has grown. The School of Medicine at Keele University, the University Hospital of North Midlands and Keele University Science and Innovation Park represent an opportunity for attracting more growth in this area.

3.3.3.2. The Research Institute at Keele University leads on pure and applied research, and includes an Institute for Science & Technology in Medicine. It focuses on four key themes, each with an international profile for research: Bioengineering & Therapeutics; Clinical & Diagnostic Science; Infection, Inflammation & Immunity; and Neuroscience & Metabolism. ISTM projects involve at any time around 25 companies in technology transfer and clinical trials. Very significantly, the Institute is closely tied with several 'spin out' and closely associated biotechnology and biomedical companies to exploit ISTM research, helping to bridge the gap between innovation and commercialisation, a problem which exists UK-wide.

3.3.3.3. S&S is also home to a growing number of leading medical technology and healthcare companies, including Swiss owned TRB Chemedica, Biocomposites, Cobra Biologics and Intelligent Orthopaedics.

3.4. Other Specialisms

3.4.1. <u>Construction</u>

3.4.1.1. Along with manufacturing, employment in construction industries contracted severely during the last economic downturn. For many years S&S has had above average levels of employment in construction and there is therefore an argument for the diversification of the types of industries present within the area, thereby creating greater resilience to economic shocks.

3.4.1.2. However, there are significant opportunities related to construction at the moment. Following a number of years of contraction, since 2012 employment within construction industries has increased by around 8,000 in S&S. In particular there has been strong employment growth within the 'construction of buildings' (+1,000) and 'electrical installation' (+1,200) industries.

3.4.1.3. The planned level of housebuilding and major infrastructure projects to be delivered in S&S and surrounding areas in the coming years clearly presents significant opportunities to further increase employment in the construction industry. This is likely to require equipping our residents with the appropriate skills to take advantage of such opportunities, whilst also working with developers to encourage greater collaboration with local education and skills providers and make use of local labour where possible.

3.4.1.4. Finally, the emergence of interest in off-site modular housebuilding provides an opportunity to both create jobs locally (as part of the manufacturing process) and to be able to meet ambitious housing targets despite short-term capacity issues in the region's construction sector.

3.4.2. <u>Logistics and distribution</u>

3.4.2.1. S&S has won a significant amount of investment from the logistics and distribution sector in recent years including Amazon, Gap, Palletforce and New Look. There has been large scale growth in the logistics and distribution sector driven both by demand and also structural changes in the market, with the recent shifts in distribution and logistics being led by the consumer goods and retail sectors rather than the manufacturing sector. The drivers for growth have resulted in an increased demand for 'large sheds' (100,000ft2 and above) and a sharp increase in demand for 'mega sheds' has also emerged. S&S's central UK position, cost effective base and availability of large development sites for this sector presents further opportunities to attract investment in this activity. Indeed, a significant number of rail-based logistics developments are expected in the coming included the proposed West Midlands Interchange development in South Staffordshire and East Midlands Intermodal Park which is just across our border.

3.4.3. <u>Tourism / visitor economy</u>

3.4.3.1. Tourism & leisure is a wide ranging sector containing traditional tourism industries such as accommodation establishments, museums, theatres, historical buildings, canals, gardens and theme parks. It also contains primarily leisure based industries such as libraries and sport / fitness facilities that will largely cater for local people rather than visitors to the area.

3.4.3.2. Given S&S natural assets and major tourism attractions such as Alton Towers, Drayton Manor Theme Park, Trentham Gardens, the new National FA Centre, SnowDome, Water World, the National Memorial Arboretum, Mercian Trail, The New Vic Theatre , the Potteries Museum & Art Gallery (including the Staffordshire Hoard, and over 20 pottery factory shops the area has all of the ingredients to be a major national tourism destination.

4. References

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