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Date: Thursday, 07 March 2013

Overview and Scrutiny
Town Hall

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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 13 MARCH 2013

I am now able to enclose, for consideration at the Wednesday, 13 March 2013 meeting of the Overview and Scrutiny Board, the following reports that were unavailable when the agenda was printed.

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Yours sincerely

Kate Spencer
Clerk

Agenda Item 5



Title: **Economic Regeneration**

To: **Overview and Scrutiny Board** On: **13 March 2013**

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Background

1. Since the Council's economic strategy was adopted in 2010 the economic climate within the UK and across the world has remained challenging. Notwithstanding the significant positive movement for the economic regeneration of Torbay with work beginning on the South Devon Link Road, our economy continues to face a number challenges:
 - Gross Value Added (GVA) per head levels in the Bay are the lowest in the South West and the 4th lowest in the UK.
 - We are heavily reliant on certain sectors - one in six people in employment in the Bay works within tourism related industries
 - Deprivation levels are high – Torbay has the highest proportion in the region of its population (14.1%) living in areas among the most deprived 10% in England
 - There is a shortage of full time employment
 - There is a lack of fit for purpose commercial space
 - Unemployment levels are high and wages for those in employment are low – average wage rates for those living in Torbay in 2012 were £105 below the national average.
2. Despite those Torbay continues to see high demand for business start up services being delivered in the area through Outset Torbay and the Torbay Development Agency (TDA). The trend for Jobseekers Allowance claimants is down year on year with Jobcentre Plus also reporting increased numbers of vacancies in Torbay. The Hi Tech forum is growing with a network of over 30 engaged businesses and the company visit programme delivered by the TDA suggests that there is demand from a number of growing businesses for more space in the area to support their growth.
3. There are opportunities for growth in particular around food and drink, healthcare, electronics and professional services sectors, the Mayor has invested in supporting an expansion in events activity to underpin the tourism sector and the investment provided by the Link Road is a clear indication of confidence in the area.
4. This report sets out below the emerging economic strategy, how it might be funded and the growing importance of the Local Enterprise Partnership.

Economic Strategy

5. The Economic Strategy is a policy framework document and as such changes are required to be approved at Council and it is appropriate that to capitalise on the Link Road and the issues set out above, the strategy is revised.
6. The document has been discussed as a draft by the Council's SCOPE committee and the Torbay Development Agency is now revising the document following the feedback and advice from that meeting. It is intended that there will be presentations to the political groups before the end of March with the strategy on the agenda for the May Council meeting.
7. The strategy will articulate to the local community, the LEP and others what its economic aspirations are and identify the actions Torbay is looking to deliver that require support from the LEP and Government. Hitherto Torbay's key request was support for the South Devon Link Road and now that has been secured the Council and its partners are concentrating on how Torbay will secure the benefits of the road.
8. Thus far the TDA has revised the evidence base and tested the assumptions, conclusions and objectives that were set out in the 2010 economic strategy. The key statistics and evidence base is summarised at Appendix 1. The evidence suggests that the key economic issues that the area faces have not fundamentally changed in the past two years.
 - Over 50% of the Torbay population are aged 45 or over, 10% higher than the national average.
 - The Torbay has the highest percentage of people employed in tourism related activity of anywhere in the country.
 - Employment is reliant on the public and service sectors with 60% of employees working in health, education, retail and accommodation/food service jobs – 20% higher than the national average.
 - There is a shortage of full time employment with 0.69 of a job for every person seeking full time work.
 - Productivity is also lagging with Gross Value Added at 60.5% of the UK average.
 - 23% of working age households have no one in employment. Unemployment is currently as 4.6% of the working age population.
 - Average wages for people living in Torbay are £408 per week, £105 below the national average.
 - Torbay lags behind on higher level skills, but this is improving.
9. The evidence suggests that the overwhelming priority for the area is the creation of more full time employment and creating more full time jobs will be the core theme of the strategy.
10. The strategy will identify important sectors for the local economy and its longer term sustainability and growth however it will not prioritise those sectors and the support required to nurture them over the need for more full time employment in the short term.

11. The rationale for this is based on the unemployment and other benefit claimant figures for Torbay, the extent of part time employment in the local economy and the job density figures for Torbay. If Torbay's full time employment were moved towards the national average then the wage rates and productivity of workers would see other economic indicators improve and reduce the burden on the local authority's services.
12. Taking these changes into account the key aim is employment creation and the secondary aim is GVA/productivity growth. The TDA would argue that jobs led growth is more important to Torbay at this stage than GVA because of the extent of unemployment and underemployment. To put the employment creation into context some 8000 new jobs would be required to get to the UK average jobs density¹.
13. The strategy will set out that over the past eighteen months there has been significant positive movement on the economic regeneration of Torbay with the award of funding to the South Devon Link Road presenting the opportunity of improved access, productivity and attracting new investment for the area.
14. The action plan set out in the draft strategy supports the Torbay Local Plan in unlocking the potential for Torbay's economic success and building on successes which include;
 - Supporting the private sector to bring forward the development of the Palm Court site
 - Supporting the development of the White Rock Business Park
 - Securing Government support for the crucial South Devon Link Road
 - Securing planning consent for the third phase innovation centre at White Rock
 - Creating over 100 additional jobs through growth in innovation centre tenants
 - Growth of the Hi Tech Forum leading to changes in skills provision and the successful Manufacturing Technology Innovation conferences
 - Continued support for start up businesses through the EU and Government supported programmes where over 200 new businesses have been created
 - Establishment of the Ambassadors group in support of the inward investment programme which has seen three relocations and 90 jobs created
 - Developed an action plan for growth of the marine economy in Torbay
 - Increased skills attainment in Torbay in particular moving level 3 and 4 skills levels closer to the national average.
15. The draft is proposing following as key activities:
 - Town centre regeneration

¹ Jobs density is defined as the number of jobs in an area divided by the resident population aged 16-64 in that area. For example, a job density of 1.0 would mean that there is one job for every resident aged 16-64.

- Use the Neighbourhood Plan to identify an appropriate regeneration scheme for Torquay Town Centre development by the end of 2013
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 - Ensuring that the right land, buildings and infrastructure are in place to support Torbay's businesses and investment.
 - Implement a local development order for White Rock, Edginswell and a town centre site to be confirmed
 - Bring forward the Claylands site in Paignton for an employment scheme
 - Supporting delivery of the marine economy action plan for Torbay including harbour infrastructure and infrastructure for the fishing sector
 - Growth in and retention of small and medium sized businesses in Torbay
 - Secure funding for the White Rock Innovation Centre
 - Seek to identify funding in support of small business grants in Torbay Council
 - Support home based businesses through the creation of Workhub facilities
 - Deliver with UKTI partners an export readiness programme for Torbay
16. There will be a focus in the strategy and in what Torbay is looking to secure from national and EU funds on helping unlock employment sites. This is important as there are growing local businesses that might be lost to Torbay if adequate employment sites cannot be identified and brought forward in the next five years. There have also been inward investment leads that have not been capitalised on because of the lack of the right type of employment space.
17. Torbay is working with its neighbours to understand their growth plans and where employment sites are likely to come forward. There are plans from Teignbridge and Exeter to increase the supply of employment land in their areas. Increased demand for labour from neighbouring economies is likely to have a positive impact and draw labour from Torbay however there is a risk that if we cannot support local growing businesses that they will choose to relocate, this is an important issue for the local economy and requires close working between the Mayor, Planning and the TDA to ensure that the right sites can be brought forward in Torbay so that we can sustain our local businesses.
18. The draft strategy and action plan sets out the context for the development of the local economy, the approach which is being pursued and how we will measure our success. It proposes the following as key indicators of success and guidance from SCOPE on their appropriateness would be welcomed.

- Develop Torbay as a vibrant economy increasing its Gross Value Added to the regional average by 2025
- Create 2250 new jobs by 2015
- Increase residents wage rates by a percentage to be agreed by 2020
- Secure EU or National Government investment in support of delivery of the appropriate elements of this action plan
- Sustain improvements in the skills attainment of local people
- Reduce the impact of seasonal unemployment on Torbay

19. Other relevant indicators will include

- An increase in exports/export ready businesses
- A reduction in the number of individuals Not in Employment Education or Training/18-24 year old unemployed
- An increase in business productivity as measured by GVA
- Improved business rate level for Torbay Council

20. Delivery against these indicators will be through a range of actions set out in the draft strategy. The action plan section will be presented to Councillors in more detail through the group briefings referred to earlier. The actions will be grouped under themes of:

- Driving Business Growth

Actions under this theme are proposed in order to expand the existing business base and increase entrepreneurial activity in Torbay. Both of these are widely acknowledged as being important drivers of economic prosperity. They are important because the creation of new businesses and the growth of young businesses typically creates more jobs than the development of more mature businesses. The presence of enterprising and innovative businesses also increases productivity by improving processes and bringing new products and services to the market.

It is also recognised that competitive economies tend to be those with clearly identifiable specialisms or clusters of activity, which stimulate productivity growth. The actions here will seek to engage businesses in networking with others in their sector, or in related industries to improve local supply chains, inter-firm trading and help to strengthen local clusters.

Activities to be delivered under this section will ensure that an effective range of business support services and facilities are in place. These aim to increase the rate of business start-ups, support business growth and help to create a climate of entrepreneurship. They support businesses by providing advice, facilities and the services they need in their different stages of development.

- Sustaining the Core Economy

This theme recognises that retaining investment and strength in the core sectors of the economy is critical to the economic performance of

an area. This often means ensuring that the connectivity and accessibility of the place is optimised and the quality of life for workers and businesses is enhanced. As global and national competition for investment intensifies Torbay needs to ensure it provides attractive locations to enable investment, and a distinctive offer to promote the area.

The activities here seek to increase confidence in the local economy and for inward investors through planned infrastructure improvements and other investments that support the traditional sectors of the local economy namely tourism, retail and fisheries. The actions promotes appropriate uses of sites and premises, and facilitates their development through agreeing planning frameworks and working with developers, linked to priority sectors.

- **Creating Opportunities for all**

The theme recognises that skills are a critical driver of competitiveness and productivity. Skilled workers are more readily employed, and once at work are more productive and have the capability to take on more complicated and productive tasks. Conversely, low educational attainment and skills levels are often cited as one of the principal reasons for productivity gaps between different areas of Great Britain, and between Britain and other countries.

Closely related to low skill levels, worklessness is often characterised by multiple disadvantage. Some categories of individuals face a number of barriers to participating in the labour market and a higher risk of being workless. The activities here, based on the Work & Skills Plan, seeks to co-ordinate local interventions in this area, improved productivity through workforce training and aligning education provision with business needs.

- **Nurturing the knowledge economy**

There is growing understanding of the strengths and weaknesses of the local economy in relation to the representation of businesses across sectors of the economy. Manufacturing and hi tech related businesses remain important components of the local economy and offer the opportunity for future growth if supported in the correct way.

It is recognised that sectors such as these which could benefit from specialised advice, marketing, and research and development need to be supported and the opportunities within them promoted to young people within the Bay. The activities set out here will improve the provision of specialised support for those firms.

Away from these specific activities the Council should ensure its corporate policies are aligned to support them and respond to their growth requirements.

21. Work has already begun on some of these activities with the Council's approval to implement the Torbay Growth Fund, a £1m fund designed available to businesses that will create jobs in the Bay, and the process to implement Local Development Orders now in progress.
22. A Local Development Order (LDO) is a legislative tool which can be used to extend permitted development rights. They allow development to be undertaken without the need for planning permission to be obtained, providing the development is in accordance with criteria contained within the LDO. Typically this includes design guidance and other conditions stipulated by the Local Authority.
23. It is proposed that an LDO could be introduced to support the faster delivery of employment in the western area of White Rock. This includes potentially 25,319m² of new employment space. The Planning team has reviewed the information already provided and believe that this gives a sound basis for the production of further criteria, particularly related to design which would form part of the LDO. Together with the Growth Fund this offers a powerful incentive to growing businesses.
24. Together these are powerful incentives to encourage business growth and job creation, and are one example of what the strategy is seeking to deliver. Scrutiny committee members have highlighted that the South Devon Link Road will provide opportunities for outward migration as well as inward. These incentives are designed to address this by encouraging investors to locate in Torbay and take advantage of the improved transport links.
25. These opportunities will be promoted to inward investors through an event in Westminster and a lead generation campaign. The event, Invest in Torbay – Creating a Landscape for Success is Torbay's first attempt at raising awareness through this type of event and will bring together local ambassadors with potential investors and influencers at the House of Commons, as part of an ongoing campaign to raise awareness about business opportunities in Torbay. The lead generation campaign will see a lead generation agency working with the TDA to promote Torbay to previously untapped potential investors within a variety of sectors.
26. In addition to these tools and as mentioned above the strategy looks to bring forward employment land and space for local businesses and inward investors. A lack of fit for purpose space is hindering business growth and the strategy aims to address this.
27. This year the TDA has submitted an application for funding to develop the former Havills site on Teignmouth Road into work space for practical trades. If successful this will address a gap in the market for wet and 'dirty' trades who landlords are often reluctant to let space to. This project is subject to the site being acquired and to funding being secured.
28. In addition to this we are seeking to develop the Claylands site. This is ideally located near the existing industrial areas on Brixham Road and with would provide much needed purpose built employment space. A number of local companies looking to grow have expressed an interest in the site, but the

need to invest in site servicing as well as premises means they have been unable to move plans forward. The strategy seeks to fund servicing to enable development.

Funding delivery of the strategy

29. Many of the projects proposed require significant investment. The strategy identifies the need to secure that funding through a number of sources if we are to deliver economic growth. It should be noted that this is in the context of diminishing resources not just for project implementation but also for delivery as both Torbay Council and the TDA face a reduced budget settlement as a result of the Coalition's policies.
30. The strategy anticipates delivery of the following key activities, all of which will require significant investment:
 - Town centre regeneration
 - Ensuring that the right land, buildings and infrastructure are in place to support Torbay's businesses and investment.
 - Growth in and retention of small and medium sized businesses in Torbay
31. Within the strategy action plan projects, where possible, will have indicative costs alongside them. It is anticipated that these costs will be met by a mixture of sources including the private sector, Government and EU grants, and where appropriate Council funding.
32. In light of a reduced funding settlement the Council has identified private sector investment as crucial to economic growth and is already working to facilitate this. A development pipeline for the strategy period 2013-18 suggests approx 6000 new jobs could be generated if physical regeneration projects secure funding.
33. As noted elsewhere in this report the environment for funding has changed in the last eighteen months with an increased use of bidding for funds from National Government. These include Regional Growth Fund, Growing Places Funds (delegated to the LEP), Transport Pinchpoint funding, Coastal Communities Fund, City Deals and Rural Growth Network. This fragmentation of funding, combined with the Government's need for quick wins and the reduced funding available within its departments makes securing national resources more difficult.

EU Transition Status

34. It should also be noted that the current European funding programme ends this year and the next programme for 2014-20 will be different. The introduction of a 'transition' level of funding for areas including Torbay is to be welcomed, but what levels of additional investment this will bring has yet to be confirmed. Funds will be allocated on a sliding scale according to productivity levels in comparison to the EU average. Torbay, as part of Devon, only qualifies at the very top level of the 'transition' band so is unlikely to see dramatically increased funding. However, transition status does bring with it a

better match funding ratio and the potential for more flexibility on what the money can be spend on.

35. In the UK Government have announced that day to day control of EU funding will be devolved to LEPs. While the mechanisms for allocation have not yet been shared it is expected that LEPs will be given a notional allocation to deliver a growth plan. This means that Torbay will need to use the strategy make its case to the LEP to fund projects we believe will drive growth.
36. Over the last six months the Council has been at the forefront of the work to secure transition status for Devon with considerable efforts being made to ensure that the LEP was aware of Torbay's aspirations and needs. Government departments, the MPs and Europe were also given considerable briefing and background on the need for Torbay's economic challenges to be recognised. In doing this a number of indicative projects have been developed that will feature in the economic strategy and which the Council will seek to ensure are in the Heart of the SW's funding prospectus. They include;
- A virtual Electronics & Photonics Technology Innovation Centre;
 - The scoping, development and delivery of a Key Sector Workforce Skills Development Programme;
 - A co-ordinated programme of activity focused on Attracting and Retaining Higher Level Skills;
 - The development and build of a Fish Processing Park in Brixham;
 - Speculative development of high quality B1 and B2 employment space and actions to address the cost / value gap for new development across the Bay;
 - The design, development and delivery in partnership with regional HE Institutions of a Torbay Knowledge Access Programme;
 - The delivery of a Broadband Demand Stimulation and ICT Adoption Programme;
 - An Urban Enterprise Strategic Investment Framework Extension Programme;
37. With regard to the EU funding that will be available as a consequence of Devon being a "transition" area for 2014-2020 it is likely that the Council will require match funding of £5-15M however this sum is an estimate and may change.

Coastal Communities Fund

38. The TDA developed, with the support of the Mayor and the Council, the Riviera Renaissance partnership in 2012 to design a programme of activity which will enable Torbay to capitalise on its business, community and natural assets, promoting sustainable economic growth, jobs and diversifying our economy. The programme recognises that these issues cannot be tackled in isolation and six interlinked projects in three strands of activity have been brought together and will provide the support needed to enable our businesses and communities to better use the assets we do have – community, economic and natural – to create jobs, increasing our economic resilience and engaging those currently removed from the labour market.

39. Specifically we will use the investment to create a lasting legacy in Torbay through:
- Support for home based and start up businesses through the provision of two workhubs and extended start up support;
 - An Asset Based Community Development (ABCD) programme which will build social capacity within our communities. Community Connectors will support people to develop their own project ideas and build on the Brixham YES example to enable our most deprived communities to access appropriate training and support;
 - A new cycle network which will be created, linking some of Torbay's key physical assets within the towns, the coastal landscape and green spaces surrounding them, enhancing opportunities to exploit them for community and tourism activity;
 - Relieving small employers of some of the initial costs of taking on an apprentice and providing free training to enable employers to develop their supervisory and management capability.
 - Business support through an extension of the Outset Torbay programme
40. The programme will:
- Create 355 direct jobs;
 - Safeguard 78 jobs;
 - Build 8.8km of new cycle track providing significantly improved access to Torbay's green space;
 - Refurbish two buildings to create workhubs for home-based businesses
 - Provide approximately 300 new, quality volunteering roles, increasing recorded base volunteer hours by more than 50,000 in a 12 month period.

Lord Heseltine's Review & the Heart of the SW LEP

41. On 31st October 2012 Lord Heseltine published his 233 page report "No Stone Unturned in Pursuit of Growth" on how economic growth can be more effectively encouraged in the UK. The report is set within the context of the economic crisis and it looks to empower local places to generate local growth and make the best possible economic contribution. The report seems to have been relatively well by Government and it is likely the key points will be adopted.
42. Lord Heseltine's central message is that the drivers of the economy – business, central government and local leadership – "*should be organised and structured for success*". As part of this it sets out the case for a major rearrangement of responsibilities for economic development between Central and Local Government, and between Government and the private sector.

Report Recommendations

43. The report makes 89 recommendations which aim to inject stability into the economy, create conditions for growth and maximize the performance of the UK. A summary of the recommendations which if implemented are most likely to impact on Torbay Council both directly and as part of the Heart of the SW Local Enterprise Partnership is below.
- The creation from 2015/16 of a five year single budget pot including funding streams for significant parts of the skills, infrastructure, employment support, housing, regeneration and business support budgets held by Central Government, which are currently worth £49 billion over 4 years, or £59 billion over 5 years
 - That Government set out clearly a comprehensive national growth strategy which is steered in its implementation by a National Growth Council, chaired by the Prime Minister. The Council would oversee national priorities for growth and approve bids from the LEPs for funding from the Government's single funding pot
 - LEPs develop their own tailored local economic plans and compete from 2015-16 for a share of a single national pot to support growth over a five year period
 - Government should work with local authorities to identify and publish details of all surplus and derelict public land so that LEPs and local authorities can collaborate to bring this land back into reuse in support of the local economic strategy
 - The Government and the private sector should work together to strengthen the existing network of local Chambers of Commerce which should have an increased role building a stronger relationship between businesses and LEPs and see Chambers acting as a delivery partner
 - Given the importance of economic development in driving growth, local authorities should have a new overarching legal duty to have regard to economic development in the exercise of all their activities and functions and should be required to collaborate across functional economic market areas
 - All two-tier English local authorities outside London should pursue a path towards unitary status and local authority Council Members should be elected using the same electoral cycle across England where the whole Council is elected at the same time every four years
 - Legislation should be passed to enable combined local authorities, and other combinations of authorities, that wish to elect a conurbation mayor to do so
 - Government should consider the effectiveness of Local Development Orders and extend their use after consultation and consider using Special Development Orders to speed up specific planning decisions of strategic significance. LDOs are an important tool to promote growth, particularly when used with other incentives and the extension of their use could be useful for Torbay if it is harnessed.
 - All failing schools should be subject to the intervention process forthwith with the education authorities using their powers to intervene if the head teacher and governors fail to act. If local authorities delay, Central Government should intervene
 - Business engagement should be incorporated far deeper into the school curriculum and in all boards of governors in secondary schools

- Each LEP should incorporate skills needs within their local economic plans and all FE learning providers must consult and agree their provision with LEPs to ensure that the courses they offer to 16-18 year olds reflect local labour requirements
 - LEPs working with local authorities, employers and other local partners should develop proposals for reducing NEET numbers as part of their local economic plans.
44. The pot identified by Heseltine would be worth £49 billion over 4 years, or £59 billion over 5 years. As an indication on a purely per capita basis a £49 billion single pot would equate to £110million over four years for Torbay. However, there could be other factors used to calculate funding allocations, and it is likely that there will still be an element of competition for funding even if it is on a more local basis.
45. Further comment on how Government intends to use the Heseltine review to shape policy is expected within the Budget Statement in March. An indication of what level of investment LEPs can expect for the 2014-20 EU programme is also expected around this time.
46. Previous announcements have set out that LEPs are to be tasked with creating local growth strategies, so the proposal that these are used as the basis on which to compete for a share of single pot funding is a logical next step. This brings with it a challenge for the Heart of the SW LEP to build the capacity necessary to create the strategy, bid competitively for the funding and then see it delivered. As a relatively new partnership the Heart of SW LEP risks losing out to other, better established and better resourced partnerships. Torbay Council and the TDA continues to commit considerable staff resource to supporting the HoSW LEP, the total commitment over the past twelve months exceeds one FTE post in addition to the financial support that the Council has given.
47. The key challenge for the Council will be ensuring its needs are represented in the LEP strategy, and that the higher productivity and lower unemployment figures for the whole LEP do not mask the issues within Torbay and reduce our access to funding. This means not only participating in LEP activities as indicated above, committing financial and human resources but ensuring that there is a clear programme of projects that the Council and business community want to see delivered. The economic strategy will set out that programme and the Mayor will lead the advocacy for that programme at the HoSW LEP board supported by officers and by the business community.

Conclusion

48. The common ground between the Heseltine report and the draft economic strategy is seeking to stimulate growth in the local economy. To deliver this growth in Torbay requires job creation to be the primary goal. While these may initially be in the existing dominant sectors (service and tourism) to address the high unemployment levels and get the economy moving the longer term efforts will be on ensuring that the wider economy is nurtured leading to a higher wage economy.

49. This will be addressed in the strategy through actions designed to boost GVA growth which will in turn increase the level of productivity in the Bay and drive demand for better paid, higher skilled employment.
50. Heseltine's work demonstrates that local areas must have a clear plan for growth which can be used to influence national and local partners, the strategy will form the basis of this. Confirmation of the Council's aspirations for the local economy will demonstrate to the local business community, the LEP, Government and others how the place will capitalize on the South Devon Link Road.
51. Devolved funding will not make the process any less competitive and Torbay must be prepared for this. However, if a single pot is created this may make it easier to win support for larger projects provided they fit with the LEP growth plan.
52. Private sector involvement is critical, as is the need to recognize the importance of cross boundary working to take into account the functional economic area in which Torbay sits. Heseltine takes the view that businesses do not work to administrative boundaries, and Council's should reflect this.
53. The growing role of the LEP cannot be underestimated and it is in Torbay's interest to work with the Partnership to ensure local priorities are represented in emerging strategies. However, this will continue to present challenges to the Council and the TDA in prioritising increasingly scarce resources.