Economic Regeneration and Leisure Committee	**12 November 2020**

Evidence Base for the revised Economic Development Strategy

Final Decision-Maker	Economic Regeneration and Leisure Committee
Lead Head of Service	*John Foster, Head of Regeneration and Economic Development.*
Lead Officer and Report Author	Chris Inwood, Regeneration and Economic Development Manager.
Classification	Public
Wards affected	*All*

Executive Summary

The report sets out a "State of the Nation" analysis including business and labour market information and projections which compares Maidstone's position relative to other Local Authority areas, as well as historic trends in Employment, Business, Population, Labour Market using the most up to date information available.

The State of the Nation Report forms part of the evidence base to help inform and support sections within the revised strategy.

The full Report can be found in appendix one.

Purpose of Report

To introduce key findings and note the State of the Nation Report.

This report makes the following recommendations to this Committee:

1. To note the State of the Nation Report.

Timetable	
Meeting	***Date***
Committee ERL	12th November 2020

Evidence Base for the revised Economic Development Strategy

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	*The four Strategic Plan objectives are:* • *Embracing Growth and Enabling Infrastructure* • *Safe, Clean and Green* • *Homes and Communities* • *A Thriving Place* *Accepting these recommendations will substantially assist the Council achieving the above outcomes.*	Head of Regeneration and Economic Development
Cross Cutting Objectives	*The four cross-cutting objectives are:* • *Heritage is Respected* • *Health Inequalities are Addressed and Reduced* • *Deprivation is reduced and Social Mobility is Improved* • *Biodiversity and Environmental Sustainability is respected* *The review of the adopted EDS supports the following cross cutting objectives: 'Heritage is Respected' the brief includes a section on building on our current rich assets. Health Inequalities are addressed and reduced: The economy is one of if not the biggest determining factor in reducing health inequalities 'Deprivation and Social Mobility is Improved' the brief includes a section on Skills and progression in work and our consultants will liaise with the councils Inclusion Board as part of the consultation process. 'Biodiversity and Environmental Sustainability is respected' the brief includes encouraging businesses to reduce their carbon footprint, waste, and energy consumption.*	Head of Regeneration and Economic Development

Risk Management	*Without a review of the adopted EDS the Council is at risk of not reaching its targets on Inclusive growth*	Head of Regeneration and Economic Development
Financial	• *The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.*	Section 151 Officer & Finance Team
Staffing	• *We will deliver the recommendations with our current staffing.*	Head of Regeneration and Economic Development
Legal	The objectives and actions outlined in the State of the Nation report are matters which the Council is permitted to undertake under the Functions Regulations and section 111(1) of the Local Government Act 1972, which empowers the Council to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. • Under Section 3 of the Local Government Act 1999 local authorities have a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The review of the Economic Development Strategy demonstrates compliance with the statutory duty. • It is a function of the Economic Regeneration and Leisure Committee to oversee the development, review and implementation of the Council's Economic Development Strategy and, therefore, it falls to this Committee to consider the recommendations in this report.	Principal Solicitor Contentious and Corporate Governance
Privacy and Data Protection	• The data will be held and processed in accordance with the data protection principles contained in the Data Protection Act 2018.	Policy and Information Team

Equalities	• An equalities impact assessment will be carried out for this project.	Policy & Information Manager
Public Health	• The report is for noting however good quality employment is an important determinant of health and therefore any negative impact the consequences of COVID-19 has on the labour market is likely to have a negative impact on the health of individuals and population health.	Public Health Officer
Crime and Disorder	• Not applicable	Head of Service or Manager
Procurement	• On accepting the recommendations, the Council will then follow procurement exercises for [listed parts of the action]. We will complete those exercises in line with financial procedure rules. • The actions need procurement that for [reasons] we cannot complete in line with financial procedure rules. So, we will seek a waiver through [procedures]	Head of Service & Section 151 Officer

2. INTRODUCTION AND BACKGROUND

2.1 The State of the Nation Report prepared by Litchfields acts as an evidence base to inform and support sections within the revised Economic Development Strategy. It is divided into five themes Employment, Business, Population, Labour Market and Covid 19. The report uses the latest data currently available and supplements the earlier analysis on emerging Covid-19 related economic impacts and implications for the Borough (prepared in July 2020) and preparation of a short paper setting out an initial proposition around which the EDS Update might be framed (prepared September 20

2.2 As well as presenting a picture of Maidstone's economy the report also benchmarks the Borough's economic performance with the Borough's nearest neighbours, Kent, the wider South East and UK.

2.3 Key summary findings include:

- 91,400 workforce jobs were based in the Borough in 2019, an increase by 7.7% over the 10-year period since 2009.
- The four largest employment sectors in 2019 were administration and support services (11.8%), public administration and defence (9.8%), health (9.3%) and construction (9.3%).

- The average gross weekly earnings for Maidstone residents in 2019 was £579, 6% lower than the average for Kent, 8.9% lower than in the South East and 1% lower than the UK average.
- The proportion of Maidstone Borough's working age population that is self-employed is higher than the Kent, regional and national average.
- 89.6% of the Boroughs businesses employ less than 10 employees.
- 795 new businesses were started in 2018, a rate of 76.8% per 10,000 residents aged 16-64.
- 1,180 more residents travel out of the Borough for work than workers travelling in from other authority areas
- Borough's stock of industrial and office floorspace has been in gradual decline since 2001, but retail increased by 3.6%.
- Pre -Covid Maidstone performed relatively well in terms of unemployment, with rates broadly behind other parts of Kent, the South East and Great Britain.
- Whilst the Borough ranks within the least 50% deprived local authorities in England in terms of deprivation, this masks some significant variations within the Borough.
- Covid-19 forecasts from Experian (prepared in June 2020) imply a short term economic impact equivalent to £575 million and 4,000 jobs across the Borough during 2020, taking at least two years for the local economy to recover to pre Covid-19 levels of economic activity.

2.4 This committee report covers some of the key evidence headlines in more detail from Litchfields analysis based on the report's themes. The full State of the Nation Report can be found in appendix one.

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3. STATE OF THE NATION REPORT MAIN FINDINGS

3.1 Local employment and recent growth trends. 91,400 workforce jobs were based in the Borough in 2019, an increase by 7.7% over the 10-year period since 2009. This is compared to Kent, the South East and the UK workforce growth of 12.5%, 12.9% and 12.7% respectively between 2009 and 2019*.*

3.2 Employment by Sector. The four largest employment sectors in 2019 were administration and support services (11.8%), public administration and defence (9.8%), health (9.3%) and construction (9.3%). These sectors are higher percentages when compared to Kent, the South East and UK. As might be expected Maidstone has a higher concentration of jobs in the public administration and defence sectors than the south east average reflecting Maidstone's County Town role.

3.3 Employment spatial distribution. Figure four of the report highlights that the Boroughs primary and secondary employment sectors are dispersed across the Borough with the greatest concentrations around Maidstone town. The larger employers in both these sectors are located on the towns edge clustered around the main employment sites of Parkwood and 20/20 Business Park.

3.4 The Boroughs professional services sectors are made up by smaller businesses employing less than 50 employees located within the urban area of the Borough with smaller clusters around Headcorn, Marden and Staplehurst. The distribution of lower value sector employment activity again has the largest concentrations in the urban area of the Borough with smaller clusters again in Headcorn, Staplehurst and Marden. This would be expected being the boroughs main settlements and the location of employment space.

3.5 **Job Density**. Figure seven illustrates the job density ratio of jobs to residents aged 16-64 against our near neighbours, the south east and UK. The ratio of jobs to working age residents in Maidstone is 0.87, similar to the South East and UK averages but notably higher than for Kent as a whole (0.76). This suggests there is scope to expand the supply of local job opportunities to match the Boroughs growing working age population.

3.6 **Self- Employment.** The proportion of Maidstone Borough's working age population that is self-employed is higher than the Kent, regional and national average, see figure eight. Alongside other indicators such as business start-up rates, self -employment provides a positive indicator of local entrepreneurial performance and culture. However, research from the Enterprise Research Centre indicates that self -employment within the sectors most hit hard by Covid 19 are twice as likely of being at risk of losing their livelihood to those in paid employment. This could have a negative impact on the Borough as COVID economic impacts continue.

3.7 **Work Force Productivity**. Figure nine illustrates GVA per workforce job of the Borough, near neighbours, South East and UK. Workforce productivity in Maidstone falls behind Kent (10.2%), South East (21.3%) and UK-wide averages (17.7%), driven by a strong concentration of lower value sectors locally.

3.8 **Business base and Change**. The Borough had just under 8,000 active businesses in 2018. As figure ten illustrates this is higher than all of its near neighbours apart from Medway indicating that Maidstone acts as a business centre within the Kent context.

3.9 The Borough's business base increased by 18.0% between 2009 and 2018, a lower level of growth than recorded across Kent (20.4%), the South East (19.7%) and UK (25.5%) during this period.

3.10 **Business Demography.** Most of the Boroughs businesses are micro SME's (89.6%) employing less than 10 employees. This is comparable with our near neighbours, Kent, Southeast and UK percentages. With 0.4% classed as large employing 250 employees plus. This is a higher percentage than the Kent and Southeast average and comparable with Medway, Tonbridge and Malling and the UK.

3.11 Business Start Ups. 795 new businesses were started in 2018, a rate of 76.8% per 10,000 residents aged 16-64. This figure is higher than the rate for Kent (59.5%) but lower than the Southeast (79.7%) and UK (91.4%).

All our near neighbours experienced an increase between 2009-2018 but with varied percentages. Maidstone's growth increased by 22.6% higher than Ashford (3.4%) and Tonbridge and Malling (9.4%) but is lower than Medway (53%) and Tunbridge Wells (34.3%).

3.12 **Business Floorspace.** Figure thirteen shows that the Borough's stock of industrial and office floorspace has been in gradual decline since 2001, but retail increased by 3.6%. The largest decline was in office stock, but the Borough still records more office space than Ashford, Swale, Tunbridge Wells and Tonbridge and Malling. Not unsurprisingly the office market is concentrated with Maidstone town with Industrial space distributed more evenly across smaller and rural areas. Figure fifteen.

3.13 **Population Change.** The population (as at 2019) totals just over 171,800. The pace of population growth over the last 10 years exceeds all of its neighbouring authority areas at 13.3%. Population growth in the Borough also exceeded the county, regional and national average over this time – 9.7% in Kent, 8.1% in the South East and 7.3% in the UK.

3.14 **Working Age Population Change.** The working age population in 2019 was 104,500. This is an increase of 7.3% between 2009 and 2019, a lower rate of increase than Tonbridge and Malling (8.2%) and Ashford (7.6%) but higher than Tunbridge Wells (0.6%), Medway (2.2%) and Swale (7.2%). Exceeding the Kent, regional and national averages over this time (5.1%, 3.2% and 3.2% respectively). (Figure eighteen)

3.15 **Population projections.** ONS 2018 based population projections intimate that Maidstone's population will increase by 16.1% to 2037. In comparison the working age share projections indicate a 10.2% increase. Although higher than Kent, Southeast and UK levels suggests an aging population in the Borough going forward.

3.16 **Social Economic Deprivation.** Figure twenty illustrates how the relative levels of deprivation varies across the Borough. Whilst the Borough ranks within the least 50% deprived local authorities in England in terms of deprivation, this masks some significant variation within the Borough, with pockets of entrenched deprivation found in and around Maidstone town centre and to the south of the urban area.

3.17 **Labour Market, economic activity.** Maidstone's economic activity rate comfortably exceeds regional and national averages but has fluctuated considerably over the last 10 years as seen in figure twenty-three.

3.18 **Unemployment.** Maidstone has historically performed relatively well in terms of unemployment, with rates broadly behind other parts of Kent, the South East and Great Britain. In 2019 the model-based unemployment rate for residents aged 16+ in Maidstone was 2.9%, amounting to c.2,600 people in absolute terms. This unemployment rate was lower than the averages for Kent (3.8%), the South East (3.0%) and Great Britain (3.9%).

3.19 When compared to its neighbouring authorities, Maidstone's unemployment rate (2.9%) was higher than that for Tunbridge Wells (2.5%) and Tonbridge & Malling (2.6%) but lower than in Swale (4.7%), Medway (4.1%) and Ashford (3.7%). Figures have increased since Covid19 and are likely to increase further now that Furlough has ended as businesses get less government support to retain staff.

3.20 Residents Skills. The proportion of working age residents in Maidstone with NVQ4+ level qualifications increased between 2009 and 2019 by a lower rate (7.0 percentage points) than the average for Kent (8.0 points), the South East (10.7 points) and the UK (10.5 points). Similarly, the proportion of Maidstone's workforce with no qualifications decreased during this period but at a lower rate (3.0 percentage points) than the average for Kent (3.8 points), the South East (3.3 points) and the UK (4.7 points).

3.21 Residents occupations. Maidstone residents are more heavily represented in managerial, professional, and associated occupations, than the Kent, Southeast and the UK. At the same time, residents are also significantly more represented in lower skilled elementary occupations than in Kent, the South East and the UK. The occupational profile for Maidstone Residents is therefore less balanced that other parts of the country. See figure twenty-nine.

3.22 Earnings. The average gross weekly earnings for Maidstone residents in 2019 was £579, 6% lower than the average for Kent, 8.9% lower than in the South East and 1% lower than the UK average (Figure thirty- one). This figure increased by 11.0% between 2009 and 2019, a significantly lower rate than in Kent (18.9%), the South East (18.5%) and the UK (19.7%) over the same period.

3.23 Commuting Patterns. Maidstone's location at the heart of Kent means it shares strong labour market relationships with adjoining areas, in particular Tonbridge and Malling. The Borough is characterised as a slight 'net' exporter of labour, with 1,180 more residents travelling out of the Borough for work than workers travelling in from other authority areas. With London accounting for a large share of out commutes.

3.24 Covid 19. The outbreak of Covid-19 has already had a significant effect on the Borough's economy, with impacts still unfolding as the economic disruption continues**.** Covid-19 forecasts from Experian (prepared in June 2020) imply a short-term economic impact equivalent to £575 million and 4,000 jobs across the Borough during 2020, taking at least two years for the local economy to recover to pre Covid-19 levels of economic activity.

3.25 It is important to note the 'real time' nature of the evolving economic situation emphasises the need to keep on top of data and intelligence as it emerges, to monitor impacts as they unfold, and use this to review the Economic Development Strategy response on a timely basis**.**

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 *This report recommends that ERL Committee notes the State of the Nation report an important element of and evidence base in support of the revision of the councils Economic Development Strategy.*

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5. RISK

5.1 . This report represents a point in time assessment, drawing on a variety of different sources of information including publicly available datasets and published evidence. The analysis incorporates the latest data and other evidence available at the time of preparation late 2020 but will be subject to change. The accuracy of the data deprived from third party sources has not been checked or verified by Litchfields.

6. PREVIOUS COMMITTEE FEEDBACK AND CONSULTATION PROGRAMME.

February 2019's Full Council resolved that the Economic Development Strategy Review should include the following: The arts, Parks and open spaces improvements, The destination management plan, The visitor and leisure economy, Promoting low or carbon neutral growth and building on our current rich assets. In accordance with Council Procedure Rule 17.5, the motion, was referred to the Policy and Resources Committee for consideration. Subsequently, at its meeting on 27 March 2019, the Policy and Resources Committee referred the motion to ERL Committee. ERL debated the motion on the 4th July 2019 and finally approved a wording on the 2nd July 2019: 15 This Council notes the considerable progress made in economic development over the last 5 years including:

- Maidstone East
- The Business Terrace
- Kent Medical Campus Innovation Centre
- Public Realm improvements
- Investment in infrastructure e.g. Bridge Gyratory, Cycle Path etc…

In the review of the Council's Economic Development Strategy, planned for later this year, the Council resolves to ensure that, through encouraging and enabling direct investment, the positive role that the following can offer in supporting the local economy is recognised:

- Place making initiatives such as improvements to parks and open spaces, arts and cultural developments, public realm.
- The visitor and leisure economy, events and festivals.
- Protecting well located and attractive employment space and bringing forward new employment space.
- Encouraging businesses to reduce their carbon footprint, waste and energy consumption

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 *That ERL Committee note the State of the Nation Report.*

The work programme to full adoption is:

8. The draft Economic Development Strategy and 5year action plan will be presented to ERL on the 15th December.
9. 8 weeks public consultation programme starting on the 16th December.
10. Review of the draft Economic Development Strategy to reflect public consultation feedback.
11. Completed Economic Development Strategy and 5year action plan will be presented ERL on the 16th March 2021 for full adoption.

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12. REPORT APPENDICES

- *Appendix 1: State of the Nation Report*

13. BACKGROUND PAPERS