inspira consulting

# Study of Business Grow-on Space and Support for Priority Sectors in Shropshire

for
Economic Growth Service,
Shropshire Council

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Confidential to Client and Consultancy Team

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## Thanks

We are grateful to all consultees who have helped us with the preparation of this report.

# Executive Summary

## Purpose and method

The purpose of this research assignment undertaken in early 2017 was to help Shropshire Council understand whether the supply of grow-on space in the county is sufficient to meet business needs and then to investigate the issues and opportunities that priority business sectors are facing.

For the purpose of this report 'grow-on space' means all types of business premises between 3000 and 5000 sq. ft. This size range is larger than the typical maximum size found on business parks and industrial estates that offer start-up and small business premises and, therefore, represents businesses growing beyond their start-up phase. Whilst there is a good range of start-up space available in Shropshire, the supply of grow-on space is much more restricted. This may be because supply reflects the lower number of companies of a larger size but there is some concern that the supply may hamper growth, hence this study.

In addition, this size range is recognised by commercial property agents and developers as 'grow-on space'. In practice, grow-on space for any business is whatever larger size they need, and so, for completeness, we have also included any findings that relate to other sizes of property outside the range that forms the main focus for this report.

Inspira used a combination of consultation with intermediaries and web research to form the views expressed.

## Grow-on space

Various web searches identified only a limited supply of suitable premises. The county has many business parks but comparatively few offer space above 3500 sq. ft. Feedback from consultees corroborated this position: they reported insufficient supply to meet demand and instances where this has resulted in companies moving outside the county. Enquiries were reported to be buoyant in most of the market towns as well as in Shrewsbury. As well as actual demand, there is thought to be some latent demand i.e. companies putting off moving because of perceived inadequate supply.

The Council's allocation of employment land for the future is thought to be sufficient to meet its needs (although Bridgnorth is being reviewed) and consultees felt the Council's policy of a balanced, county-wide approach to development was appropriate. However, several of the development sites are a long way from completion, or even commencement, in some cases. Companies' expansion plans cannot generally work with such long time scales and often they are looking for good quality premises to move into fairly quickly.

Additional inhibitors to growth were reported to us:

- Speculative developers are nervous about developing premises on which they may have to pay business rates while vacant;

- Financial lenders remain risk averse and have reduced the proportion of purchase price they will lend.

Consultees believed the Council had a central role to play in enabling development and pointed to several ways in which this might improve, including:

- Developing partnership working and networking to tap market intelligence and develop relationships with agents and developers to overcome problems;
- Working with universities to design new solutions e.g. for incubator space;
- Encourage the development of generic workspace provision, fitted out afterwards to meet the needs of the particular occupant;
- Ensuring that the Council is seen to be 'open for business' with a clear and well-publicised client-centred approach to business enquiries.

Developing positive working partnerships as we suggest will enable the Council to both share information about its aspirations and to gain intelligence, explaining to partners the financial constraints that it and all local authorities are working with, while being open to ways in which it can help development and respond to new ideas that will provide for the needs of the county's businesses.

## Sectors

We undertook 'broad brush' research into trends, issues and opportunities affecting businesses in advanced manufacturing, agricultural technology, low carbon, medical technologies, health and social care, creative and digital technology, food and drink, and tourism. We have also offered some observations on professional services.

One of the issues that stands out is the increasing cross-over between different sectors, driven by the use of technology in both manufacturing and service settings. This is an important factor to consider when assessing support needs. For example, food and drink companies may well be using advanced manufacturing techniques and digital technologies.

In terms of particular sectoral requirements for business premises, the feedback from consultees was that it was better to create a supply of generic expansion premises that could be configured to the needs of individual businesses than to attempt to tailor premises before they are let. Helping businesses with the cost of refurbishment could help companies to expand: the Marches now has some grant options to facilitate this.

An exception to this is where establishing a nucleus of companies in the same sector will foster growth. There is an opportunity for a modest development of this type for the medical technologies sector in Oswestry, adjacent to the Robert Jones and Agnes Hunt Hospital.

Marches LEP has commissioned in depth research into the nature and needs of its priority sectors, so we have suggested that the results of this should be digested (when available) so that duplication does not take place when trying to support the sector.

Some networks are already in place but where no formalised dialogue exists with a sector, we have suggested developing 'forum' arrangements to meet periodically with key representatives of the sector to better understand their support needs.

We have flagged a range of specific actions that could be considered for different sectors at the end of each sector sub-section. . These can be summarised as follows, although we make specific recommendations about how they should be introduced or with which partners the Council should engage in the more detailed notes on each sector later:

- Review the findings of in-depth sector analysis commissioned by Marches LEP across all priority sectors and then develop a prioritised action plan for how the Council can help;
- Where networking arrangements are not already in place/planned, consider establishing a sector forum or other consultation mechanism to gather intelligence to shape policy development and business support;
- Maintain and strengthen links with the largest employers in the County to understand their plans;
- Develop links with partners to broaden, strengthen and simplify the business support package on offer.

There is definitely potential to develop stronger relations with both University Centre Shrewsbury and University of Wolverhampton, not least to help improve awareness of the support they can offer to businesses.

The two main channels for businesses to access premises and business support are through Invest in Shropshire and Shropshire Growth Hub. We noted that the Growth Hub seems extremely busy (good news!) and suggest its resources should be monitored to ensure capacity matches demand.

A summary of findings and property-related actions can be found overleaf on Pages 6 and 7. We believe that all of these actions together will bring benefit to Shropshire and its businesses. We have not specifically prioritised the property actions: a number suggest process improvements that could commence straight away. Developing relationships with HE institutions is a medium-term objective but the sooner the discussions commence, the sooner the potential for utilising this type of partnership working as a route to property development can be assessed, which may help to alleviate some of the constraints on the Council's own development potential.

If the consultative mechanisms with sector businesses and with commercial property agents are developed, we believe they would greatly facilitate these suggested actions.

ENDS

# Key Messages from Property Research and Consultation

**1. Demand for grow-on space exists**

Consultees reported requirements that cannot be fulfilled, including some businesses that have actually moved out of the county.

**2. Latent demand for grow-on space**

A perceived and actual lack of suitable premises and other factors may discourage businesses from planning to move premises.

**3. Demand across the county is buoyant**

Shrewsbury generates the most demand but demand is also reported from across the market towns.

**4. Balanced development county-wide**

Council's balanced geographic approach to development supported by consultees, with emphasis on Shrewsbury and Bridgnorth.

**5. Council should enable development**

Consultees value Council's enabling role with developers, including to avoid market failure.

**6. More potential in partnership working**

HE and business partners willing to collaborate with Council to enable development.

**7. Approach to enquiries could improve**

Neighbouring authorities perceived to be more business-focused

**8. Aware of wider development potential**

Council is taking action to monitor opportunities arising from neighbouring developments

# Suggested Property-related Actions

***Action: next six months*** ***Action: next twelve months***

| | |
|---|---|
| 1. Increase the supply of property | **1.1 Introduce a review system for all development sites county-wide to identify any that are 'stalled' and the reasons. Prioritise those that are easiest to bring to market and help developers to overcome obstacles.** |
| | **1.2 Identify any older vacant premises that may be more lettable if refurbishment takes place – attach financial support to specific premises for this purpose and make reference in the property letting details.** |
| | **1.3 Research whether larger vacant premises could be divided into smaller units.** |
| | **1.4 Raise awareness with companies occupying large sites, possibly with redundant buildings, that premises could be refurbished and let to other businesses.** |
| | **1.5 Devise solutions to charging rates on vacant premises to stimulate speculative development.** |
| 2. Strengthen Council's profile as a champion for economic development | **2.1 Ensure Council's property-finding and support services are well publicised to businesses and their intermediaries. Use case studies and media to show Council's supportive approach.** |
| | **2.2 Ensure benefits of Shropshire as business location are clearly promoted. Match the offers of neighbouring authorities wherever possible.** |
| 3. Collaborate to create opportunities and improve market intelligence | **3.1 Develop strategic relations with University of Wolverhampton and University Centre Shrewsbury to facilitate development of new premises facilities.** |
| | **3.2 Develop networking arrangements with commercial agents and other professionals to tap into their knowledge of the market and of companies looking to expand.** |
| 4. Improve information | **4.1 Create single list/website for details of vacant property to simplify property searches.** |

# 1.0 INTRODUCTION

## 1.1 Status of this Document

This document is the final report for a study undertaken by Inspira Consulting into the demand for and supply of grow-on business premises in Shropshire and the availability of support and facilities for priority business sectors in the county. It follows on from a study of business start-up premises conducted by Inspira in 2012/13.

## 1.2 Purpose of this Study and Definitions

The purpose of the Study was not to undertake comprehensive research but rather to pursue certain lines of enquiry that indicate whether there are opportunities for, or impediments to business growth that the Council could address. The lines of enquiry were:

a. Gather anecdotal evidence to inform thinking about the county's supply of grow-on space for businesses. For the purposes of the Study, the definition of grow-on space is 3000 – 5000 sq. ft. for industrial, commercial, office and retail accommodation. If information emerges relating to other sizes of property, that would also be reported;

b. Identify any premises-related issues that either stop or aid companies' expansion, including whether there is demand for fitting out premises to meet the specific requirements of particular sectors;

c. Research what business support is available to priority sectors and whether other forms of support or opportunities exist that the Council could facilitate;

d. Where possible, update the findings of our 2012/13 study, with particular emphasis on incubator space, medical technologies and food and drink.

## 1.3 Methodology

Our agreed methodology was to:

- Consult with a sample of commercial estate agents, employer organisations, three higher education bodies, Marches LEP, Shropshire Growth Hub and other relevant stakeholders but not directly with business;
- Conduct web research and a literature review;
- Gather information regarding the whole county but also any specific insight relating to key geographic centres in the county;
- Review the conclusions reached in 2012/13 regarding priority sectors to ascertain whether the provision of specific facilities/support could stimulate growth and offer observations and a suggested list of actions;
- Explore tourism opportunities via consultation with a national attraction operator and conduct related web research.

# 2.0 PREMISES FOR GROWING BUSINESSES

## 2.1 Study Approach

We have used a combination of web research and consultation with commercial estate agents, landlords, employer organisations and Council business support staff to form a view of the current property market situation in the county. It is difficult to get quantitative information from agents, so our conclusions have been formed by comparing feedback from each interview to see whether there is a consistent view about whether or not there is sufficient supply. To gain further insight, we have reviewed the findings of research into the property market from national property agents; whilst such information does not 'drill down' to county level, some is available at West Midlands regional level and generally provides some insight into the overall state of the market and about national trends.

We have agreed to organise a simple on-line survey of commercial agents to try to get more quantitative information about the market place. The results of that survey will be available in the early summer 2017. If that survey produces useful information, the Council may wish to consider repeating it periodically to update their knowledge of the market place.

## 2.2 Insight from National Property Surveys

We have reviewed a range of national property surveys to investigate general trends in the national property market place. These appear to provide some evidence that:

- Demand for premises across the UK remains strong
- Developers and lenders remain risk averse
- Overseas investors will see the UK as a good place to invest in business premises

Here is a sample of the findings:

Research by Savills Property Agents[1] says lenders and developers across the country are more risk averse and over the next five years this will lead to a "*30-40% fall in development activity across all sectors and regions".*

Savills "Big Shed Briefing West Midlands[2] January 2017" reports high demand in the region for super-size warehouses: *"Such has been the level of demand for warehouse space in the West Midlands it has the highest level of take-up for units let during construction of any region in the UK. With Jaguar Land Rover taking 327,000 sq ft at Prologis Park Ryton in the second quarter of 2016 this helped ensure that 14% of deals were for units still under construction.*

[1] See "Key Themes in UK Real Estate 2016/17": http://pdf.euro.savills.co.uk/uk/spotlight-on/key-themes-in-uk-real-estate-2016-17.pdf
[2] See: http://pdf.euro.savills.co.uk/uk/commercial---other/big-shed-briefing-january-2017.pdf

*"The West Midlands bucks the national trend for online retailers to dominate the market with the sector accounting for just 11% of take-up. Instead, manufacturers and the automotive sector accounted for a combined 35% of the market in 2016."*

Property company Colliers International produced the following summary UK Industrial and Logistics Market Barometer[3] in Spring 2017:

The RICS Q1 2017 survey[4] stated: *"UK Commercial Property Market Survey Sentiment continues to improve away from the capital. Headline rental and capital value growth expected to accelerate once again Industrial sector continues to post strongest underlying results."*

[3] See: http://www.colliers.com/-/media/files/emea/uk/research/speciality/201703_industrialandlogisticsbarometer.pdf?la=en-GB

[4] For full report, see: http://www.rics.org/Global/RICS_UK_Commercial_Property_Market_Survey_Q1_2017.pdf

## 2.3 Shropshire Overview

Inspira's study conducted in 2012/13 concentrated on business premises suitable for start-up businesses. It also produced a listing of property at a wide selection of business parks and industrial estates across the county. Although the focus was on start-up space, the research showed a wide range of property that was suitable for first-phase business expansion – up to 2000 sq. ft. - but far fewer units above that size.

It is to be expected that there will be considerably fewer units above 2000 sq. ft., since that mirrors the structure of the economic base, with the majority of businesses employing less than 10 people, many of whom are involved in services industries with little requirement for large premises. Inevitably, because there are fewer units in this size range, they become vacant less often and therefore, choice is likely to be more restricted for companies seeking larger units.

For this Study, we have used web research to check whether that situation is still valid today at a sample of the business parks we reviewed in 2012/13. To be clear, the purpose of this exercise was simply to find out whether larger units *exist*. We discuss *vacant* property later in this report. In terms of the stock of property, we found that:

- Alveley Business Park has workshops up to 2000 sq. ft. and a few much larger factory units but these appear to be occupied long term by the same companies;
- Bishops Castle, Love Lane has units up to 3900 sq. ft.
- The Mynd Industrial Estate Church Stretton has units up to 2500 sq. ft.
- Craven Arms Business Park has units up to 3536 sq. ft.
- Ludlow Business Park has units up to 3668 sq. ft.
- Artillery Business Park, Oswestry only offered small units but in 2015 added several 1000 sq. ft. units and one 4000 sq. ft.
- Wem Industrial Estate has units up to 3450 sq. ft.

This suggests that these established business parks across the county are catering for the smaller end of the market. They are designed to cater for first-phase expansion but do not offer space for the larger end of the Study's target size range i.e. on the sample sites there was no space about 4000 sq. ft.

Some of the County's newer business parks have included larger units up to 5000 sq. ft. and beyond. For example, Battlefield Enterprise Park in Shrewsbury, the new Shrewsbury Business Park and Faraday Business Park in Bridgnorth have each developed larger industrial units or trade counters and/or offices.

It was not part of the scope of the Study to speak to developers directly but we have asked commercial agents for their insight, which we feed back later in this report. The recent construction of some larger units appears to indicate a recognition that there is a market for this size of unit in the county, usually built to a higher specification than traditional business premises on the older estates.

## 2.4 Property Availability Web Research

### 2.4.1 Web research into vacant property

To supplement feedback from consultation, we undertook web research to build a picture of what vacant premises were available at the time of the study. We undertook the research in two stages:

1) Availability of premises Shropshire-wide

2) Availability of premises in market towns.

For the **first stage**, Google and MSN searches were undertaken across the whole of the county; these tend to use Shrewsbury as the centre of the search area. We used differing phrases, such as "commercial property in Shropshire", "business premises in Shropshire" and "industrial property to rent in Shropshire".

This produced a list of search results from various commercial estate agents and specialist property search engines, such as "Right Move", "Prime Location" and "Property Link", the last one run by Estates Gazette.

A range of the results were then interrogated to look at the specific properties listed. It was possible to filter the results of each search to exclude premises outside the target size range.

The most common result was that each property search engine listing viewed contained approx. a dozen vacant properties for sale or to let within the target size range. Where the terminology of the search included the word "commercial" or "retail", the results included shops. For example, a search on the Halls website, a well-established commercial agent in the area, produced 17 results across all types within a 20 mile radius of Shrewsbury, of which at least one third were under offer.

Shropshire Council's own property website details some larger development sites but no vacant premises in the 3000 – 5000 sq. ft. category. The best web search result we achieved was from a specialist property search engine, searching the websites of many commercial estate agents. This produced 55 properties across all types between 2500 and 5000 sq. ft. within 25 miles of Shrewsbury but at least 20% of these were in Telford.

The **second stage** of the research was to explore the situation in each of the market towns, as well as Shrewsbury specifically. We did this research using a specific search through the Estates Gazette portal. We used the same search criterion for each: rental property within a 10-mile radius around each of the five key towns plus Shrewsbury. It produced the following results:

| | |
|---|---|
| Oswestry: | Six properties, one of which was retail, one of which was in Wrexham (not in Shropshire). Other four were light industrial/distribution. |
| Bridgnorth: | Ignoring the Telford property that falls within this radius, various units on Faraday Business Park only. |

| | |
|---|---|
| Market Drayton: | Two offers: one single industrial unit in Whitchurch (obviously not in Market Drayton!) and a range of units up to 44,000 sq. ft. on Prees Industrial Estate. |
| Whitchurch: | Five industrial premises including that at Prees Industrial Estate. |
| Ludlow: | One office, one trade counter and one 'design and build' in Leominster (!). |
| Shrewsbury | 20 vacant premises across all categories, of which eight are retail premises and a further 17 for sale, although some duplicate those for rent. |

### 2.4.2 'Quality' and location of vacant property

Across our various searches, we also undertook a relatively superficial visual review of the 'quality' of property using the photographs online i.e. whether property was new or recently refurbished and whether it's location looked suitable for a growing business. Although there were some modern and good quality premises, a greater proportion were older premises in need of tidying up and a proportion of the locations were isolated sites, not necessarily on bespoke business parks/industrial estates, which meant outside space sometimes looked limited, access did not look ideal and the use of the premises might be restricted because of adjacent retail and residential property.

### 2.4.3 Development sites

We undertook additional research to identify development sites and plots, where either speculative development is taking place/planned or businesses could pursue a 'design and build' project to create their own bespoke premises.

Our searches produced a few development sites around the county, which are being advertised as offering individual plots for development, although, in some cases, development will not take place until there is sufficient demand or infrastructure is installed:

- Tern Valley in Market Drayton – development ready
- Bishop's Castle Business Park – issue over who develops the site
- Shrewsbury Business Park – office development underway
- Harlescott Lane, Shrewsbury – site for car showroom/retail or similar, subject to planning permission (pp)
- Shrewsbury South, Oteley Road, Shrewsbury – 35 acres of mixed use, subject to pp
- Shrewsbury West Sustainable Urban Extension – 9 – 12 hectares for a health and business park within a larger mixed use scheme. Road infrastructure to be completed and completion date is up to ten years hence.
- A small number of plots at Ludlow Eco Park – development ready
- Shrewsbury Road Oswestry – development ready for commercial/retail/offices

- Ellesmere Business Park Phase II – 16.4 acres with outline permission for business, industrial, warehousing/distribution

It is apparent that the vast majority of sites are in or around Shrewsbury, with little development-ready land available in other market towns with the exception of Market Drayton.

#### 2.4.4 Conclusions from web research

Considering the size of the county, the web search has identified only a small number of vacant premises.

Because of the way property websites operate, our searches had to be repeated several times using particular geographic search criteria to ensure coverage of the whole of the county. This highlighted a particular problem: there is no easy way to access comprehensive information about vacant property in the county. Whilst we persevered with searches to extract the maximum information, businesses looking for premises may be less thorough. We will come back to this subject later.

The impression gained from this research was that there was some availability of premises and development sites that would accommodate businesses needing this size of premises but it was certainly not plentiful in any one locality. Moreover, potentially few premises were of the quality that expanding businesses might require. We tested out these initial perceptions in consultation with estate agents and others.

As an aside, whilst our searches always utilised the term "Shropshire" and/or the name of specific towns, we found that property in Telford was often included in the resultant listing. The Council cannot control the information that search engines produce, so making sure that businesses understand the benefits/advantages of a Shropshire location becomes even more important.

### 2.5 Feedback from consultation

We have handled the consultation about premises from two different perspectives:

1) The views of agents involved in selling/letting premises

2) The views of business organisations involved in supporting growing businesses.

Here is a summary of the findings:

#### 2.5.1 'Invest in Shropshire' Feedback

Market intelligence obtained from the land and premises enquiries through 'Invest in Shropshire[5]' provides anecdotal evidence regarding demand:

[5] Thanks to Caroline Reid-Smith for providing this information

- From 2015 there have been 60 company enquiries relating to investment and expansion in Shropshire; 24 of these have been completed successfully, 25 projects are underway with some successes pending and 11 projects were unsuccessful.
- There is a stratification between those successful projects and those that did not proceed. The successful projects where from the company ( FDI or smaller) who invested on its existing footprint or where the expansion space required was small, typically up to 2,000 sq ft.
- For the companies looking to expand into larger footprint (5,000 to 30, 000 sq ft); of which there is limited opportunity from the current portfolio of ready "grown on" space within a 6-18 month timeframe. In this area we have risks of disinvestment from two of our successful growing companies. For the larger site enquiries 30,000 – 100,000 sq ft, the choice of sites is very limited and lead in times 18+ months at best. The larger enquiries in the main came through agents/intermediaries and where competitive across the UK LEPs.
- With all enquiries; but more significantly with these larger scale competitive enquiries, the single most asked question is "What incentives and packages do you offer investors in your area?" It is a blend of incentives that attracts investment from companies, both indigenous and new. Feedback from local companies highlights a key concern across all sectors, relating to filling skills shortages, magnified by the uncertainty of the Brexit process and associated timeline.

### 2.5.2 Feedback from other consultees regarding demand and supply

All consultees felt that there is demand from developing businesses for grow-on premises in all parts of the County, although the demand is not uniform across Shropshire. The commercial agents suggested that the order of the strength of demand is industrial, then retail and then offices. According to our consultees, Shrewsbury is the area of highest demand, as is Bridgnorth and other consultees said demand in Whitchurch, Oswestry and other market towns was also strong.

Consultees had not noticed any particular sectoral emphasis in demand and had seen demand from all sectors.

Consultees could all cite businesses from within the county that were trying to find larger premises and this indicated that the demand originated predominantly from county-based businesses rather than from inward investors although some enquiries have been received from outside the County and also from overseas.

One consultee described the market as "undersupplied and stagnated", the latter meaning that customers did not have sufficient choice to make sound comparisons and decisions about whether those premises that were available really suited their business need.

There have been enquiries for manufacturing premises and for offices and from high-tech companies providing technical and design services for the automotive industry. Office

enquiries have included some from technology companies seeking high-tech, high-spec premises with communal working space for workers to get together to discuss ideas and collaboration.

Retail space is in demand across the whole of the county but, overall, Shropshire probably has an over-supply for retail.

The repeated feedback from consultees was that demand was outstripping supply for larger premises. Commercial agents knew of specific businesses that are currently trying to find suitable premises in the county, without success.

As detailed in Section 2.4.3, new premises are planned in various locations, however, most of these are sites for future development. They will accommodate companies that want to have bespoke units built but will not offer premises for rent unless/until developers are prepared to undertake speculative building work.

As we reported in our 2013 study, businesses do not easily make the decision to move because of the upheaval, cost and lack of certainty about sustaining increases in turnover necessary to meet the cost. Many businesses opt to stay in the premises they started in until they are "bursting at the seams" as one of our respondents put it, often because there is no space available for them that meets their needs for location, size, facilities and cost. This behaviour tends to underline that companies will not have decided to start a property search lightly, so when agents are reporting a lack of supply, companies are likely to have reached the point where they either move to expand or accept that the expansion potential must be shelved because it cannot be accommodated in their current premises.

Several consultees knew of businesses, generally industrial, that had moved from Shropshire to Telford to satisfy their requirement for larger premises. The general opinion was that Shropshire businesses would prefer to stay in Shropshire because of disruption to employees, distribution and supply chains. They do not move to Telford because they see particular advantages from moving their base but because it can provide the premises they need. This is despite the fact that much of the industrial stock in Telford is aging. Economic geography means that administrative boundaries are often irrelevant to business and, as we mentioned earlier, many Shropshire-based web searches automatically show results that include Telford.

Reportedly, prices for space per square foot can also be lower in Telford than for an equivalent space in Shropshire. For some businesses that are looking for large premises these are often more easily available in Telford. Many of these have been warehousing or similar businesses and the easy availability of the required premises, plus the proximity of the motorway and railway, can add to the attraction of Telford.

Conversely, some consultees thought there was an under-supply of small office space in Telford. This might present an opportunity for Shropshire.

Although Telford is potentially a competitor, the economies of the two places are intrinsically intertwined and depend on each other. Telford supplies many jobs for

Shropshire residents, who then spend disposable income in Shropshire, so a healthy business base in Telford is important to Shropshire.

Consultees wanted to see a greater supply of premises but they could not see benefit in fitting out premises for specific sectors. They agreed that increasing the supply of generic premises that can be equipped to meet the individual needs of the lessee/purchaser would provide more flexibility to ease the market. The provision of funding to ease the cost of fitting-out might be a useful 'sweetener'.

### 2.5.3 Feedback regarding provision of utilities

In our 2013 report, business consultees did not have any serious complaints about the stability of electricity supply or of other utilities, although estate agents considered this to be a problem in some areas, particularly around Whitchurch.

At that time, everyone acknowledged the importance of broadband but only two businesses (both in Highley) told us that slow broadband speeds might ultimately make them move. A number told us they had poor mobile phone signals. Estate agents flagged both broadband and mobile phone signals as problematic and although we did not test this in any detail, we think there may be a perception of poor reception in rural areas, even if in reality, reception was reasonable. We were also told that the lead time for BT to install new broadband connections was three to four months, which was unacceptable for a business that had signed a lease to take on new premises.

From our interviews and conversations for the current study, the issue of power supplies has not been raised with us. We suspect that it is still an underlying issue within the county but that many businesses are working with what they have and may be making compromises. We understand that there are two suppliers of electricity in Shropshire - one covering the north of the County and one covering the south. The Southern supplier, we have been informed, has invested in capacity to deal with the problem. The northern supplier is willing to invest but has been seeking financial support from the Council and/or the local business community to offset the costs. This has produced a stalemate, leaving things as they are.

Since our last report, Connecting Shropshire has continued to work on bringing high speed broadband services to the areas still lacking the service. In our research we have raised this issue and while everyone acknowledges there are some problem areas in the County, no one has said it is affecting them nor have they offered any anecdotal evidence of an adverse effects on others. Agents and others report that it is possible to find appropriate premises which meet all the utility needs of the business concerned, including broadband services.

### 2.5.4 Other Impediments to Growth

The lack of suitable property was not the only impediment to growth that consultees cited.

#### *a. Raising finance*

Businesses may be prepared to simply rent larger premises but some will see buying ready-built or even developing their own premises as an important part of their company evolution. Even for established businesses, however, raising finance for expansion projects via the banks continues to be challenging. At one time, a typical commercial mortgage would have paid up to 80% of the property purchase price but consultees told us that current bank lending policies mean that a max. 60% is now the norm, placing greater demand on the business and/or its owners to raise the balance. In addition, the 60% figure may apply only to the purchase price of the building, leaving the business to finance refitting/refurbishment costs itself. Production businesses in particular often rely heavily on their overdraft for cash flow, making additional borrowing difficult, even if it will create a new capital asset.

Moreover, although the construction costs will be comparable with costs in urban areas, the resulting building is likely to have a lower commercial value than if it were constructed in an urban area, reducing the return on investment.

#### *b. Business Rates*

We heard several different problems from consultees concerning business rates. The first was a general concern that revaluation is likely to place an increased financial burden on companies that are not in scope for Small Business Rate Relief and that will deter some from expanding.

Business organisations drew to our attention a few businesses that necessarily require large premises because of the bulky nature of the goods they deal with, who are disproportionately disadvantaged by the rates revaluation.

A further concern was in relation to speculative development. At least one consultee knew of investors who were willing to help finance speculative development and of developers who are in principle willing to construct units speculatively but are deterred by having to pay business rates while the premises are vacant.

#### *c. Property Information and Expansion Support*

As our web searches showed, despite the fact that the vast majority of vacant property will be advertised online, there is no single means to find out what property is available across the county. Property portals provide integrated results from several agents rather than doing searches on individual agents' web sites but even so, these are not exhaustive. This makes it even more difficult to seek out suitable property in an under-supplied market.

Our impression is that, as a consequence of this problem, companies that are serious about expanding employ commercial property agents and/or other professionals to carry out the search on their behalf; this was confirmed by agents we consulted. This means that commercial agents and other professionals may hold valuable information about companies

that are considering expanding but, setting aside issues of confidentiality, there is currently no mechanism for that information to be shared with the Council, who might be able to broker a solution.

For the foreseeable future local authority funding will be constrained and, therefore Shropshire, like other councils, will not have significant pots of money to put into development. Equally it will become increasingly reliant on income from business rates at a time when businesses in smaller premises can claim rate relief. The Council will need to be open to new ways of enabling development, whether this is completely new build or bringing unused or under-used property back into the market. Making sure businesses have the specific support and the conditions to grow will be important to make sure businesses will benefit from a move to larger premises, even if the business rates payable are higher.

In this report we have suggested developing working partnerships with commercial property agents, universities and others. We believe that by genuine positive partnership working the Council will be able to pool its own knowledge and experience with that of others and devise new solutions to respond to both current conditions and the requirement of Shropshire's businesses.

#### *d. Customer Engagement*

Several consultees felt that neighbouring local authorities have clearer customer response and engagement systems to help businesses seeking new premises or indeed general help with expansion. In effect, they present a very positive 'can do', empathetic attitude towards business. By implication, this is a criticism of Shropshire's approach but there was no evidence that it related to particular individuals or departments; rather, that consultees' perception is of a less developed 'client management' system for dealing with businesses and stakeholders and less marketing of the support available.

The number of consultees involved in this study is very limited and we would not normally regard it as reliable on this kind of subjective issue. However, we heard the same message from a number of different quarters, including potential partners and we have noted that it echoes messages from the recent 'Big Conversation Prosperous Economy' survey feedback[6].

The feedback suggests that the Council's intention to adopt a positive and integrated response to companies that need assistance from economic development and planning is not working well. However, the statistics from 'Invest In Shropshire' appear to suggest that economic development enquiries are handled professionally, so the issue may be one of communication, both internal and external. We therefore recommend the Council reviews its client management process and ensures it is completely joined up.

### 2.6 Location-Specific Issues

**Shrewsbury** is the main business centre in the county and sees the strongest demand for all types of premises and by far the largest number of planned development sites.

[6] Shropshire Council: Big Conversation Survey Feedback to 6.3.2017

Nevertheless, consultees' concerns about lack of suitable 'ready' premises related to Shrewsbury as well as the smaller towns across the county.

**Bridgnorth** remains vibrant but development is constrained: identifying more development land has been identified by a Planning Inspector as a priority.

Feedback from consultees suggests a buoyant market in most of the **market towns** and lack of supply in some places – Whitchurch and Oswestry were mentioned. Our web research showed little availability of premises in any of the towns.

You asked us for ideas on the collaborative development of the **Bishops' Castle** Business Park, where local bodies are keen for an asset transfer from the Council to the Bishop's Castle Community Land Trust. We note that a simple website exists[7] to publicise the community's desire for the transfer, and a business survey started in 2015 remains open for the purpose of demonstrating demand for the site on the Bishops' Castle.biz website. We understand that a business case has not been submitted to the Council; in our view, this would be an important statement of intent.

Inevitably, inward investment in a remote area will be challenging – businesses are looking for good transport and communication links, access to a suitable skill base and supply chain. Playing to the strengths of the location, rather than trying to overcome its weaknesses, may be a better approach. We have not done any detailed investigation but would suggest a few lines of inquiry that might lead to development opportunities that could kick-start the Park and help to justify (or even fund) the infrastructure costs:

a) A discussion with commercial agents who cover that part of the county to identify any companies in the vicinity (not necessarily in Bishops Castle), who might be seeking new premises;

b) Review of case studies of enterprise development in remote rural locations to see if there is anything to be learned;

c) Discussions with organisations focused on rural development e.g. Defra's Rural Enterprise Team, NFU and CLA to see if they are aware of agricultural or horticultural businesses or development, including those bidding for RDPE grants who are seeking new premises;

d) Discussions with University Centre Shrewsbury to explore any potential for a centre for rural studies or even rural incubator space, which could trigger HEFCE or Growth Funding. (This has not been discussed with UCS but their place-based approach may mean they are open to infrastructure development across the county).

You shared with us information about the development of the **Oswestry Business Park**. In the course of our consultation, a potential sector specialism for this Park arose, which we cover in the Sectors section of this study.

[7] See: http://www.bishopscastle-businesspark.com/

## 2.7 Sector-Specific Property Configuration

We were asked to investigate whether there was any evidence that premises needed to be offered on the market already configured to the individual needs of particular sectors, for example, installing refrigeration equipment in premises aimed at food and drink businesses. We have considered this type of enhancement separately from the development of dedicated sites for specific business sectors/clusters along Science Park lines. Where relevant, the latter is covered in the "Sector" sections of this report.

In relation to the general market for business premises, the problem described by consultees is a shortfall in the supply of generic business premises – industrial, trade counters or retail but with less emphasis on office accommodation. We did not hear any views that support the need to develop premises for a specific business sector. In fact, consultees expressed the opposite view i.e. that the short supply of premises meant that it was helpful for premises to have some flexibility in their layout. The availability of funding to install specific equipment needs could be offered as an incentive to rent the premises.

## 2.8 Incubator space

Another line of enquiry within the study was to look briefly at the availability of incubator space. The serviced start-up units around the county that we reported on 2013 are still in existence, for example the Rural Enterprise Centre, now run by Flexi Offices; Battlefield in Oswestry; Enterprise House in Bishop's Castle and Harlescott Barns, run by the Council itself.

Our research has found that some new facilities have been developed e.g. Park View Business Centre in Whitchurch and Rent-a-Space in Battlefield, Shrewsbury. We also note that the Sansaw Estate in Ludlow appears to have moved towards live-work space, rather than simply offering office units for rent.

A web search on a selection of these sites suggests that most are running at 80 – 90% capacity. The nature of this type of property is to offer flexible licences that allow people to move in and out at short notice, so there tends to be a regular turnover. At the time of our consultation, the Council's own smaller units were virtually fully occupied.

We reported in 2013 that Harper Adams University made the facilities available in its Food Centre available to local businesses and food entrepreneurs to help them develop new products on a cost effective basis and with support from the University's staff. The Food Centre does still make its facilities available to businesses that wish to use them and pay for the time and materials used. There is not a huge take up of the offer but as the university has been increasing its student numbers the facilities are not under used.

When the Food Centre was opened the University obtained funding to help to support it which runs out next year. (It was not clear whether that was the next academic year or calendar year). One of the stipulations within the funding agreement was running an incubator kitchen, that requirement finished 2016 and the kitchen has been converted into teaching space. The university believed that they were able to make more of a contribution to the food industry by taking more students and the change of use of the space was part of

that process. Therefore no incubator space exists for food industry businesses and none are planned. However, there are plans to develop incubators for agri-tech businesses in a new centre the University is building.

University of Wolverhampton has a 36-space incubator facility over the border in Telford at the e-Innovation Centre, which is continuing to expand and also now offers grow-on space. The University has set up a 'Launch Pad' facility for home-based businesses that want a prestige business address and hot desking facilities plus access to broadband. A web search on the phrase "incubator space Shropshire" using both Google and Bing search engines brings up the University's Telford facilities at the top of the list.

Shropshire Youth Support Trust is planning to open studio spaces for young entrepreneurs at the British Ironwork Centre in Oswestry - probably most suitable for craft businesses. The Trust, based in Telford, provides a range of support for 18 – 30 year olds interested in starting their own business.

Other facilities will be developed as a result of funding from Marches LEP e.g. a science park and incubator space in Newport (technically in Telford), incubator space in various Marches Colleges, reportedly including Shrewsbury, North Shropshire and Ludlow and the further development of Flax Mill Maltings in Shrewsbury.

University Centre in Shrewsbury is involved in the Flax Mill project and has aspirations to develop live - work incubation space in the town for businesses that use digital technologies, possibly through the conversion of space above shops.

Few of the business centres could truly be said to provide incubation space, since that term implies a more collaborative approach to business engagement and networking allied with technical support facilities. This may be one of the reasons why the recent report by HM Government's Department for Business, Energy and Industrial Strategy, entitled: "Business Incubators and Accelerators: The National Picture"[8] concludes that Marches LEP is one of only four LEPs in the country that have no incubation space, although we imagine University of Wolverhampton, at least, would take issue.

We have not yet had chance to study the report but it should provide useful reading in terms of offering models of good practice elsewhere in the country.

We have not in any way tested the demand for incubator space but the creation of additional start-up space since our last study, combined with ongoing high occupancy levels and plans to provide more space seem to suggest increasing activity at the start-up and micro end of the market.

[8] See Page 33: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608409/business-incubators-accelerators-uk-report.pdf published April 2017

## 2.9 Shropshire Development Plans

To understand what plans exist for additional development land, we have consulted both the Council's Core Strategy team and Marches LEP and reviewed various documentary evidence.

### 2.9.1 Core Strategy and 'SAMDev' Plan

In its current Local Plan Shropshire has:

- 167 hectares of newly allocated employment land
- An on-going commitment to develop a further 119 hectares of existing allocations
- An additional 66 hectares to be developed flexibly as windfall development.

BE Group produced a two-phase Employment Land Review and Sites Assessment for the Council in late 2012, as part of the background documentation for the current Core Strategy and Site Allocations and Management of Development (SAMDev) Plan, covering the period up to 2026. The Phase One report shows that the issue of a restricted supply of premises and sites is not new and was evident around the time of the financial crash in 2008[9] and points to the ongoing need for Council intervention to address market failure. Phase One includes an assessment of employment sites in Shrewsbury.

A Phase Two report[10] was produced by BE Group in 2014 and provides a detailed and useful analysis of every main employment site across other parts of the county, together with a market assessment for most of the sites, comments on the views of property stakeholders and suggestions about where additional development is needed.

Although sufficient land has been identified to accommodate the County's projected needs for both housing and industrial development, a challenge arises because ownership is split between the public and private sectors; owners may have different objectives that will influence if, when and how they may wish to develop it or dispose of it for development. If sites have development potential but have not been brought to market for some years or have been on the market for some time, there may be a role for the Council in overcoming any obstacles that will facilitate their release/development.

Key development areas have already been identified by the Council in line with its economic strategy, proposing to stimulate location advantage. For example, the A49 corridor south of Shrewsbury; reportedly, a local developer is very interested in opportunities along this route. Development is also expected around Bridgnorth, the third largest town in the County. At the last local plan review, the Government Inspector said that the Council needed to carry out a review of the Green Belt around Bridgnorth to accommodate needed expansion; this is currently underway and will be ready for the next inspection in 2019/20.

[9] See PP 2 -3 of BE Group 2011 Employment Land Review and Sites Assessment: http://shropshire.gov.uk/media/1059468/EV7-Employment-land-review.pdf

[10] https://www.shropshire.gov.uk/media/1059477/EV9-Shropshire-Strategic-Sites-Assessment-Phase2-Shropshire-final-report.pdf

An important constraint on both housing and industrial development by private developers is the cost of infrastructure. This may be overcome on Council-owned land if the Council could make land available and accept that the 'price' paid by the developer would be the developer paying for the infrastructure.

As suggested earlier, the main demand appears to be for generic business units but new sites may also create opportunities for more sector-specific development. We say more about this later.

### 2.9.2 Neighbouring development

Government plans to stimulate economic activity in the newly designated 'West Midlands Combined Authority' area, in the north of England through the 'Northern Powerhouse' and in the Midlands with the Midlands Engine are all potentially attractive to Shropshire.

#### *West Midlands Combined Authority*

Shropshire Council has established associate (so-called 'non-constituent') status with the West Midlands Combined Authority (WMCA). WMCA is committed to working with neighbouring LEPS to deliver its planned growth. In Spring 2016, a Land Commission was appointed to consider how to make available the land requirements for its plans, given the known restrictions on land supply in its catchment. The Terms of Reference for the Commission covered the constituent areas (not Shropshire). The Commission reported to the February 2017 meeting of the WMCA Board. The Final Report of the Commission is contained within the Board Papers of the February Board meeting and can be read at: https://www.wmca.org.uk/media/1743/adocpackpublic.pdf . Unsurprisingly, the Board minutes[11] suggest a very West Midlands-centric focus but it will be interesting to see whether opportunities for neighbouring authorities are identified.

Whilst the general expectation is that the WMCA plans will create opportunities for the wider region, it should also be borne in mind that, if 'sweeteners' are used to bring development land to market and/or Enterprise Zone-type mechanisms are used to stimulate growth, this might provide a draw for companies that are struggling to expand within Shropshire and/or could provide pressure for 'non-constituent' authorities/LEPs to match preferential terms.

The Council believes that by working with it and with neighbouring counties when they have common cause, it will be able to stimulate support for development including through strategic planning, which has been lost since the closure of the Regional Development Agency.

#### *Midlands Engine*

The Government has brought together a partnership of local authorities, LEPs, universities and business to form a strategic plan under the banner of 'the Midlands Engine' body that will address weaknesses and capitalise upon the strengths so the Midlands becomes a driver for growth across the whole country. The Partnership will enable activity at a Midlands-wide

[11] https://www.wmca.org.uk/media/1773/minutes-wmca-board-17-february-2017.pdf

spatial level in relation to communications, transport, skills, innovation and investment. A variety of measures are planned. These are contained in the Midlands Engine Strategy document[12]. Marches LEP is playing its part in collaborative bidding with other LEPs to produce funded region-wide solutions: construction of a bypass for Hereford is an early priority within the partnership's regional transport priorities[13]. Keeping a watching brief to ensure that Shropshire benefits from the strategy appears the best approach.

### *HS2 and Northern Gateway*

Communities in the north of the County have links with and look towards northern England. Following the confirmation of the HS2 project the Council has been looking towards the potential development expected around Crewe which, with Birmingham, are the two closest stations to Shropshire. There is to be a development zone around Crewe but it is not yet determined whether the influencing distance is to be measured by journey distance or journey time. If journey time is the key determinant then the zone could extend to the southern boundary of the County. This could encourage development of housing and businesses in Shropshire together with associated services. However, either way, Shropshire could find that it attracts development serving the zone as the HS2 project moves on. Equally, development around Manchester may also have a ripple effect into the north of the county. Additional benefits may accrue because Stafford station will be a hub and the line between Wolverhampton and Shrewsbury may be electrified. Whilst the completion date is many years away, it will be important to monitor developments, since ground works are already starting in Warwickshire for the London to the West Midlands initial stage of the route.

## 2.10 Messages from our Findings

This study was not intended to be an in-depth scientific analysis of the current property situation; the Council has plenty of expert evidence from surveyors and the like to fulfil that requirement. The purpose of this work was to try to get a sense of whether there is more that the Council could do to exploit potential growth. For this first part of the study, we have crystallised the messages from consultees overleaf. These are summarised at the start of this document. In some cases, these are perceptions rather than fact and you may feel they do not reflect the work that is taking place in the Council. Nevertheless, perception *is* the reality in consultees' minds, so it is still important not to dismiss such views:

### Message One – There is actual current demand for grow-on space

Consultees reported requirements that cannot be fulfilled and referenced some businesses that have actually moved out of the county because of this.

[12] See: https://www.midlandsengine.org/wp-content/uploads/2017/03/Midlands-Engine-Strategy-2017.pdf
[13] See: https://www.midlandsconnect.uk/media/1096/midlands-connect-strategy-executive-summary-march-17.pdf

### Message Two – There appears to be latent demand for grow-on space

There is a general perception of a lack of suitable premises and other inhibiting factors, which may colour businesses' opinion about the ease with which they could move their business to larger premises.

### Message Three – Demand across the county is buoyant

Consultees reported that Shrewsbury is the location that generates the most demand but demand is also evident in the market towns.

### Message Four – Council's balanced approached to development is supported

The Council already adopts a balanced approach to development across the county and recognises the importance of Shrewsbury and Bridgnorth in development terms. We did not hear any views that would counter its current approach.

### Message Five – Council has an important role in enabling development

Consultees stressed the importance of the Council playing a proactive enabling role with developers across the county and particularly to avoid market failure.

### Message Six – There is some untapped potential in partnership working

The Council is keen to strengthen its enabling, rather than direct delivery capability. Developing strong collaborative partnerships is an essential tool to achieve this. Whether commercial agents, business organisations or HE institutions, there is scope and a willingness from partners for relationships to be strengthened for mutual benefit.

### Message Seven – Neighbouring authorities are perceived to have a more positive attitude to helping businesses resolve property requirements

This message has two elements to it: 1) the ease with which information about property and support packages can be accessed and 2) the overall response from the Council to business-related enquiries. Moreover, some feedback suggested more productive relationships could be cultivated with developers to give them confidence to invest.

### Message Eight – The Council appears aware of and engaged in development initiatives adjacent to its boundaries that may be beneficial to the county

The Council is aware of and directly or indirectly participating in strategic development outside its boundaries that may ultimately offer possibilities for Shropshire. Maintaining a watching brief and being ready to both promote and react to any opportunities from each of these seems the best approach. The 'Midlands Engine' may provide more opportunities in the shorter term and appears to be pursuing initiatives region-wide, albeit that these will probably flow through the LEPs.

## 2.11 Opportunities

So, how could the Council respond to these messages? Here are some ideas, which are summarised into a set of suggested specific actions at the front of this document:

### 2.11.1 Defining the Shropshire offer

Shropshire competes with neighbouring areas in Wales, including Wrexham and Deeside, which have Enterprise Zone[14] status, which offer streamlined planning arrangements, discounted business rates and low cost financial loans; this can prove attractive to businesses that can be mobile. Such incentives may be of interest to all expanding businesses but particularly attractive to those that are not yet established in the area and therefore do not have local staff. Many local businesses, however, want to find premises that are close enough to their current location to prevent them from losing staff because of the move.

While Shropshire cannot provide the incentives of an Enterprise Zone, it does have much to offer, including some financial support and also a very active involvement with businesses to help them expand and resettle in their new premises. This goes well beyond simply helping them to find premises. Active support is given to help in resolving many of the other issues that a company faces in a move as well as identifying and facilitating links with other services that may be required. The customer-facing aspects of this service are critical so it may be worth reviewing whether the offer is as clear as possible to businesses and developers and making sure that a consistent, welcoming, timely response becomes a trademark of the service.

Making sure that those benefits that are available are clearly promoted is also important, For example, we discovered the 'Marches Building Investment Grant[15], which no-one had mentioned during consultation, possible because it has launched only recently.

An example of good practice we noted was that the estate agents' sales particulars for development sites at Shrewsbury South include specific reference to the positive attitude of the Council towards economic development and also to help available from the Council[16].

### 2.11.2 Resolving development obstacles

There are a variety of reasons why development sites may be slow to the market and the Council cannot resolve all the problems that occur. Understanding the obstacles faced by individual sites, however, and bringing its influence to bear to help overcome these is already part of the Council's modus operandi and it may be beneficial to strengthen these

[14] See: https://businesswales.gov.wales/enterprisezones/zones/deeside/support-and-incentives-deeside#financial-incentives
[15] See: http://www.marchesgrowthhub.co.uk/finance-and-funding/marches-business-investment-grant
[16] See: "Economic Opportunity" section of sales particulars: http://www.tsrsurveyors.co.uk/wp-content/uploads/2015/10/Brochure.pdf

processes to remove any blockages within the Council's sphere of influence. This would also allow trend analysis to highlight any repeat problems that may need a more strategic approach, for example, by working with the LEP and/or with local politicians.

A standardised review process could be designed to record site location, size, zoning, intentions regarding what is to be built, key milestones regarding planning permission, time lapsed between permission being granted and development taking place, liaison with developers (via agents as appropriate) regarding any issues and, most importantly, actions the Council could take to ameliorate any difficulties and what action has been taken. Alongside strengthened networking with developers and agents, (see 2.11.5 below) this would send some positive messages to developers about the Council's serious intention to enable new sites to come to market. This might also help to ensure that the Council is taking a 'lean systems' approach to its own involvement in site approval, so that the time taken through different planning stages is optimised.

### 2.11.3 Freeing up available premises

Although it is not a solution to the underlying lack of suitable premises and sites, there may be some short-term measures that could bring a few more properties to the market. Identifying sites that are suitable for refurbishment, larger vacant premises that could be split to provide grow-on space and making businesses with large sites aware that there may be development opportunities could provide some additional property to ease the market.

### 2.11.4 Partnership Working

Links to universities is very important for any research led businesses and attracting high growth businesses requiring skilled workers is one of the County's aims. The Council has been very active in this area and has good relationships with many universities including Wolverhampton, Harper Adams, Warwick especially Warwick Manufacturing Group and Salford. The arrival of University Centre Shrewsbury has been warmly welcomed and a very strong relationship is already developing and positive business development is expected from this, particularly in life sciences.

Both University of Wolverhampton and University Centre Shrewsbury are open to the strengthening of relationships. University of Wolverhampton is keen for some round table discussions to explore how they and the Council can pursue joint projects.

Shropshire Chamber of Commerce, which includes Telford and Wrekin in its area, has developed a service to help strengthen business-to-business activity in its area. It will therefore discuss the supply issues a company has and try to find an appropriate company with Shropshire or Telford that can meet the needs. It has successfully helped a number of companies to make changes within their supply chain so that they can get the components or services they require from another local company rather than one outside the area, without loss of commercial advantage in terms of quality or price. This could be a very

positive help to an expanding business, especially one that is moving into the area from outside. The Council could help to promote the scheme to help county businesses find new local customers and so grow business from within its boundaries.

### 2.11.5 Developing Market Intelligence and Confidence

Earlier in the report we noted that many businesses considering expansion will go to commercial agents to investigate the market for them. We believe that commercial agents would probably be willing to share information with the Council on an anonymised basis, to help the Council understand the issues currently affecting the commercial property market in the County including where demand was concentrated or where there were particular issues of concern. If this was done on perhaps a six monthly basis it would give the Council current information on the state of the market, allowing it to make and adjust its own plans accordingly. This could help the Council plan how and where it may undertake development itself, but could also be used to encourage those private developers we spoke of in the report that are able and willing to build commercial premises in Shropshire but are deterred by the possibility of having speculative property left empty for long periods and subject to business rates.

If relationships of trust are strengthened, agents may also be willing to share specific information to help find suitable sites for their clients.

Other professionals and intermediaries might also be included in this type of network.

### 2.11.6 Promoting the Shropshire offer

It is apparent that Telford benefits from being included in web searches on Shropshire property. It would be worth doing some search engine work to make sure that enquiries for Telford also show results relating to Shropshire property.

# 3.0 SECTORAL RESEARCH

## 3.1 Purpose

The purpose of this aspect of the study was to:

- Review any notable developments in each of these sectors and where appropriate, reaffirm the conclusions of our 2013 Report:
    - Advanced Manufacturing
    - Agricultural Technology ('Agri Tech')
    - Low Carbon
    - Tourism
    - Food and Drink
    - Health and Social Care
    - Medical Technologies
- Consider whether any sector-specific property development would benefit the property market;
- Identify opportunities for sector-based-development (whether property-based or not);
- Comment on any findings relating to overall business support.

We have investigated current trends in relation to each and suggested consequent business support needs. At the time of writing, an in-depth piece of research is underway, commissioned by Marches LEP to develop profiles of each sector in the county. Consequently, we have not included statistical information about each sector as an up-to-date analysis will be available shortly that can be used in conjunction with this report.

## 3.2 Recommendations from 2013 Report

Our sector recommendations in 2013 were as follows:

**Food and Drink** - additional research into and a possible development project to create small incubation facilities for food and drink start-ups plus online information services.

**Digital Technologies** – creation of additional incubation space possibly in collaboration with University of Wolverhampton.

**Medical Technologies** – we could not see potential for the development of a medical cluster.

## 3.3 Overview of Economy and Priority Sectors

In the UK the Midlands economy, led by the West Midlands, has recently out-performed the UK economy as a whole. Overall the UK economy grew in 2016 with the service sector up 2.6% and manufacturing overall up only 0.3 %, but looking at key sectors important to the West Midlands and Shropshire there was above average growth. For example:

- Wholesale and retail up 4.9%
- Automotive manufacturing up 4.4%
- Food and drink manufacturing up 1.4%
- Distribution up 1.6%

In the region manufacturing output was up 0.7% in Q4 of 2016.

In January the West Midlands Economic Forum made the following assessment of the regional economy:

"The Midlands economy continues to outperform the British economy, driven mostly by the West Midlands, according to latest PMI (Purchase Managers' Index) data;

"Price pressures continue to firm, attributed to continued Sterling weakness and strengthening commodity prices;

"Midlands export performance continues to improve;

"Regional infrastructure constraints are impacting on productivity and output;

"Strengthening labour market demand in the Midlands may contribute to increased wage;

"Pressures and intensify recruitment conditions – localised structural rigidities remain, however."

At the end of the first quarter of 2017 there was evidence that growth across the region had weakened slightly and the price pressures on input costs have continued to grow. More recent announcements confirm a reduction in UK growth forecasts for 2017. Nevertheless, the increase in orders for businesses in the region may possibly lead to a rise in employment.

### 3.3.1 Regional Export Performance

The Midlands as a whole is the UK's major export region and the EU is the region's largest export market, making up 42.9% of all exports in 2015, the last full year for which complete figures are available. Germany took 25% of the regions exports to the EU. The largest non-EU export markets were the USA and China. Looking at individual country markets, the region's biggest markets were:

| | | | | | |
|---|---|---|---|---|---|
| USA | 17% | Germany | 10% | China | 9.4% |

Recently, the region overall has imported more from the EU than it has exported, although a proportion of those imports have been raw materials or sub-assemblies to be included in finished products made here and exported. For non EU trade, the region has had a trade

surplus, exporting more than it imported from the rest of the world. This fell into a small deficit of 0.3% in Q4 2016, however it is much too early to know whether that is the start of a trend or a short term blip.

The recent weakness of Sterling has certainly helped exporters across the country, although there is informed speculation (rather than hard evidence) that for many businesses this has been an opportunity to improve margins and also to clear stock. In addition, the exchange rate has boosted the influx of overseas tourists into the UK, who can holiday here more cheaply. However, the weakness of Sterling has contributed to the rise in input prices for manufacturers in particular, which is aggravating price pressures.

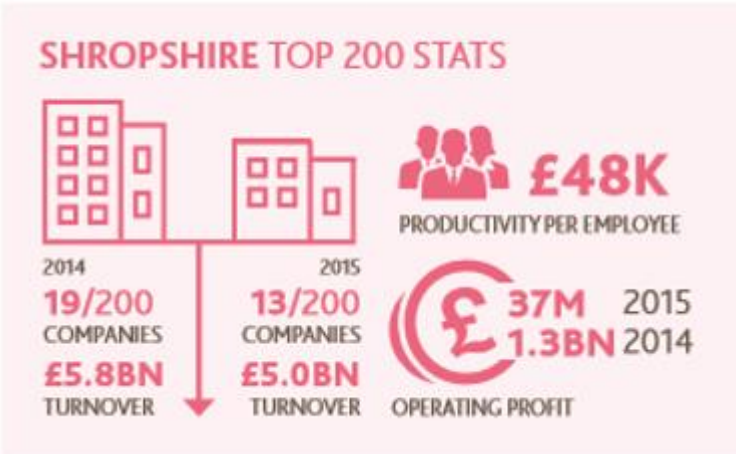
Outside the scope of our study, international issues such as increasing protectionism in the USA and the shape of future trading relationships between the UK and EU post Brexit may significantly affect international trade and therefore the development and growth of local businesses, either directly or through supply chains.

The negotiations on the UK's exit from the EU are only just beginning and it is not part of our brief to speculate on the results but in the context of our current work it may be helpful to note two issues that are important to the Shropshire economy and which will depend on the approach and results of the negotiations:

- One is the proportion of exports from the region to the EU
- The other is the degree to which key sectors are dependent on labour from the EU.

With 43% of West Midlands' exports going to the EU and around 5% of its workforce from the EU, agriculture and manufacturing sectors will be particularly affected by the final shape of Brexit in terms of trading and migration arrangements. Manufacturing relies on a number of highly skilled workers. Agriculture, food and drink and tourism are all reliant on overseas workers.

### 3.3.2 Shropshire




In their 2016 "West Midlands Report[17]", consultants BDO provide key statistics about Shropshire businesses that are included in a list of the 'Top 200' companies in the West Midlands when judged by annual turnover.

This is slightly misleading, as it includes several Telford businesses and shows the

[17] See: https://www.bdo.co.uk/getmedia/f2afdf3f-c06e-4482-91b8-ecdae30b79f6/West-Midlands-Report-2016-27_01_16.aspx

challenge facing the Council when trying to segregate Shropshire from Telford in people's minds.

According to BDO, Shropshire is characterised by:

- A well-established business base compared to national and regional averages: proportionally more businesses have been trading for 10 years or longer and fewer have started up within the last two years.
- Principally a small business economy: more than 90% of businesses have fewer than ten employees, 77% have four or fewer employees and 44% have an annual turnover of less than £100,000.
- Food and drink is the largest manufacturing sector in Shropshire. More than 4,400 people are employed in it.

The Marches Strategic Economic Plan (SEP) identifies Automotive Manufacturing, Advanced Manufacturing, Food and Drink, Agri-Technology and the Visitor Economy as priority sectors, all important to Shropshire.

The SEP identifies the need to increase skills across the area in order to meet the needs of developing industry and is planning major investment. It states:

*"Capital investment will be used to generate an increase in the numbers of traineeships, apprenticeships and Level 2 and Level 3 learners and qualifications, responding directly to employer skills needs. The investment will be in the refurbishment of premises, new build and high tech equipment. This will enable the Marches to create an area wide infrastructure of 'Centres of Excellence', which will have world class learning facilities and resources, to develop internationally renowned training in the Agri-Technology, Advanced Manufacturing and Food and Drink industries." (Marches SEP)*

The LEP's plans chime well with the recent Green Paper on Industrial Strategy. It indicates the Government wishes to be an "enabler" to help growing and emerging industry sectors and is looking to leaders in key sectors to identify what they need to see happen to enable growth in their sector. This includes involving industry leaders at a local level to help shape the training and education that is required to support local needs:

*"The Government has already announced it will create a network of Institutes of Technology to ensure we have sufficient provision targeted at delivering high-quality technical education at higher skills levels, tailored around the needs of employers in local areas. The Government will provide £170 million of capital funding to deliver this commitment. These institutions will help to deliver excellence in technical education across the country, providing students with a clear route to employment or higher education. They will harness the expertise of local employers, both in leadership and design of the curriculum, to fill local skills gaps." (Green paper page 43)*

Marches LEP's relevant investment plans are already underway:

- One links the Agri-tech and food and drink sectors, bringing together Harper Adams and University of Wolverhampton; investment to support agri-tech and food and drink is

important to the county, given the concentration of businesses across those sectors in the area. Shropshire and Staffordshire together have 50% of the agri-tech businesses in the region while food and drink in the county is also a major and growing employer.

- The other involves the development of Advanced Manufacturing Hubs in Bridgnorth and Shrewsbury to address workforce constraints by training apprentices.
    - The centre in Bridgnorth will be run by the Marches Centre of Manufacturing and Technology CIC[18], a consortium which includes Shropshire employers Grainger & Worrall, Classic Motor Cars Ltd and Salop Design & Engineering and training specialist In-Comm Training and will be open in Summer 2017.
    - In mid-May 2017, Shrewsbury College relaunched its engineering department after an injection of £1m from Marches LEP, the College and private sector partners to purchase new hardware and software for training in 3D CAD/Modelling, Advanced CNC/Machining, Fabrication and Welding, Electronics, Robotics, Manufacturing, CMM, Mechatronic Engineering and Automotive Engineering (in response the new training requirement for MOT testers).

While on the subject of the SEP, problems with power supplies in some areas, including Whitchurch are identified in the SEP; this was a problem we highlighted in our earlier report but consultees have not flagged it as a problem this time.

### 3.4 Sector Observations for each of Shropshire's Priority Sectors

This section contains observations on each of the sectors together and, where relevant, suggestions on the property implications for the sector. We have referenced a wide range of reference material, which may be useful for further background reading.

Marches LEP has recently commissioned an in-depth analysis of each of its priority sectors. When published, it will be important to review that research to identify any messages for property development and business support.

Making sure that businesses in whatever sector have access to timely business support is key. In our research, we noticed that the Shropshire Growth Hub is extremely busy and it would be prudent to monitor capacity to ensure businesses receive the help that they need when they need it.

For each of the sectors, we suggest the Council both examines the sector study being produced by Marches LEP and increases its engagement through some form of forum or consultation mechanism and direct links with the major employers. These actions will give the Council better understanding of each sector and thus a better appreciation of evolving property needs and issues. It will also help to gather intelligence on the sector and more widely on the local economy, which will strengthen policy development and future planning.

### 3.4.1 Advanced Manufacturing

**Key issues**

- By definition, advanced manufacturing can include many businesses that would not normally be associated with the term in many peoples' minds
- Manufacturing businesses have contracted out many key functions to other specialist contractors many of whom may be defined as service sector businesses
- 'Servitisation' is a name applied to an increasingly common process of service provision that supports and supplements the products they manufacture
- Productivity in manufacturing is generally higher across the sector than for the UK economy as a whole
- While the numbers of people directly employed in manufacturing has declined, the number of people in manufacturing dependent jobs has increased.

#### 3.4.1.1 Sector Overview

The Organisation for Economic Co-operation and Development (OECD) defines Advanced Manufacturing as, "computer-controlled or micro-electronics-based equipment used in the design, manufacture or handling of a product". This definition does not always fit in with public perception of advanced manufacturing which is about gleaming hi-tech products from research led companies. However, across the manufacturing sector, technology has been embraced to increase productivity and competitiveness so that many industries and companies that would be regarded as 'traditional', rather than 'advanced', when thinking of manufacturing, could be included within the OECD definition.

For example, the carpet industry in Kidderminster used to employ two or three men to run each loom and suffered from down time while adjustments were made by hand. After weaving, the carpets were examined by women using bright lights, who corrected faults by hand with a needle and thread. Today in the same companies, one operative runs four looms simultaneously through computer control, with significantly less down time and the number of faults has also been minimised, all through the use of IT. Given that IT is at the heart of the design and handling of the products, the carpet industry now fits within the OECD definition of advanced manufacturing, although it retains its traditional image.

Similar changes have taken place in companies across the UK, including in Shropshire's manufacturing businesses. While some companies have not embraced this change, a large and increasing number have and, therefore, when considering 'advanced manufacturing', it is important to include many former traditional manufacturers as well as their newer research-led counterparts.

3.4.1.2 Sector Trends

However, when considering the needs of manufacturers, and this applies to all those manufacturers that have moved towards the OECD definition, there are changes in structure and operation that must be taken into account when thinking of their support needs, including the availability of grow-on space.

The traditional distinction between manufacturing and services has become increasingly blurred. Many companies now prefer to outsource aspects of the overall activity which have traditionally been done in-house. While part of the reason for this can be attributed to cost saving during difficult times, more positive influences have been encouraging this change, allowing for increasing concentration on core activities by all the businesses involved and providing greater choice, flexibility and creativity in the market place.

As a result, a variety of high value-added activities in design and development that would once have been undertaken in-house, as well as more traditional services, are now carried out by consultants and other service firms. This increases the potential for cross-pollination of ideas across industries, in addition to the burgeoning of small businesses offering relatively high-tech design services (often on a scale of the craft industries of the past). What was once measured under the aegis of manufacturing is now ostensibly part of the service sector.

There is, therefore, now a significant part of the overall service sector that is wholly or mainly dependent on manufacturing in general and the increasing number of businesses that fall into the advanced manufacturing sector in particular. This is an important point which policy makers must take on board.

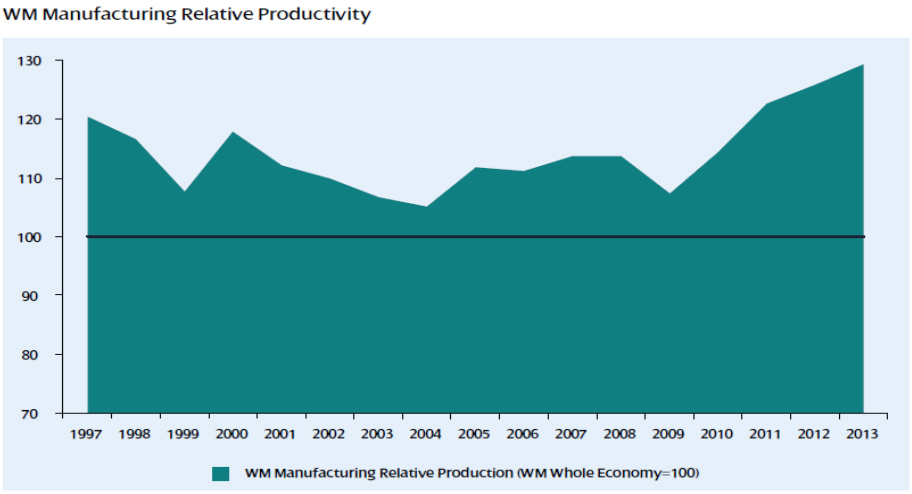
Additionally, many manufacturers have come to recognise that they do more than sell a product; they also can be said to provide a service. Thus, a car manufacturer can be said to provide a transport service. When considering this, manufacturers can offer variations with their products to help meet the different aspirations of their customers in relation to the service they want to receive. To consider the car manufacturer again, the car provides a transport service but different consumers may pay for different degrees of luxury, speed, driver enjoyment, safety, reliability and prestige whilst they travel; ultimately these remain different levels of service in much the same way that buying a standard or first class train ticket is a differentiated service.

The trend for manufacturers to monetise this in a novel manner (perhaps attempting to cross-sell related services) has become known as servitisation. Consumers are becoming aware of this. Again thinking of the motor trade, a car sales person may offer finance services and insurance and contract hire; services which were not normally seen as part of their role. New technologies are opening up other links between manufacturing and services and these can be developed to have monetary value to the manufacturer. Rolls Royce is now paid for its aero engines on an 'hours in the sky' basis. While the huge amount of information generated by on-board monitoring and safety equipment allows them to offer services such as preventive maintenance and real time damage monitoring. The result

of this is that Rolls Royce now generates over 50% of its revenue from services rather than products and while they may be leading the field in this respect, other manufacturers, not all of them large businesses, are also moving in this direction.

There is an apparent paradox in that advanced manufacturing prefers to buy in many key activities within its processes from the service sector that would have previously been done in-house, while at the same time it is itself moving into the service sector facilitated by technological change. In thinking about how best to support the sector including in the provision of business premises this structural change needs to be appreciated.

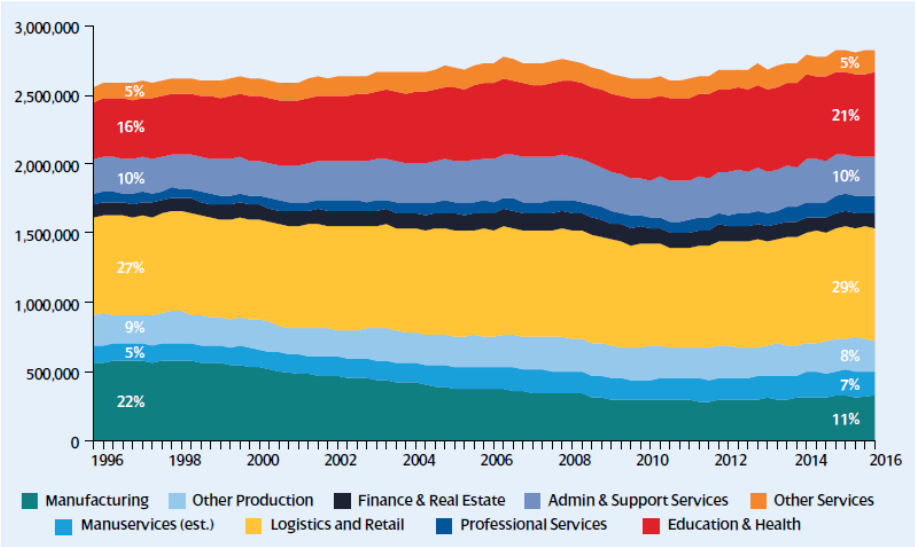
Manufacturing in general has suffered because in the eyes of the public, the media and many policy makers it is declining because the numbers employed directly in manufacturing has significantly reduced. However, while many businesses have shed labour as a result of huge productivity increases brought about by the application of technology, when this is coupled with the restructuring outlined above it can be seen that far more people are employed in manufacturing dependent jobs than just those directly employed in manufacturing. The following graph shows manufacturing productivity compared to the economy as a whole:




Source: ONS & MEF

When considering the number of people in manufacturing-dependent jobs, the following graph illustrates changes over the last twenty years in employment in the West Midlands. It clearly shows the reason those unaware of the major changes that have taken place see the decline of the manufacturing sector. However many in the other sectors shown, including the various divisions within services and in the logistics sector, will be manufacturing dependent. "Manuservices" is the term used to define those services being developed by manufacturers and linked to the product; the figures are estimated because detailed quantitative research needs to be done.

Evolution of WM Sector Employment




### 3.4.1.3 The Sector in Shropshire

Manufacturing continues to be a very important sector for Shropshire and while not all of the County's manufacturers would automatically define themselves as "advanced manufacturing", increasing numbers are 'advanced' when the OECD definition is applied. Although Shropshire is a very rural county where agriculture is significant, a higher proportion of the population work in manufacturing than in Britain as a whole, although the West Midlands figure as a whole is higher than both (9.6% in Shropshire, 8.3% nationally and 12.2% West Midlands) These figures only represent those directly employed and therefore do not count the many manufacturing dependent jobs arising from the servitisation of manufacturing and contracting out as we have explained earlier.

Examples of major employers include:

- **Stadco** is the biggest independent supplier of body-in-white parts to automotive manufacturers in the UK. Based in Shrewsbury, it has just opened an 18-acre facility in Telford to accommodate more growth.
- **Grainger & Worrall**, based in Bridgnorth, works with all of the major car manufacturers, the company is a top class caster of both aluminium and iron complex parts.
- **Doncasters Group** is a leading international engineering group that manufactures precision components and assemblies for the aerospace, industrial gas turbines, specialist automotive, petrochemical, construction, industrial, transportation and recreation markets w9ith a plant in Shrewsbury. Doncasters has been used as a successful case study for Invest in Shropshire.

The county's proximity to the Midlands automotive manufacturers means that the car industry is an important customer of Shropshire's manufacturing businesses. The development of Jaguar Land Rover's i54 site at Wolverhampton underpins this.

#### 3.4.1.4 Premises Implications

When considering the property needs of a growing manufacturing sector, the needs of its supply chain should also be taken into account. Traditional industrial units of a variety of sizes will continue to be required, as will units that, through their specification and location, are designed to encourage new research-led businesses.

The blurring of the manufacturing and services sectors described earlier means the supply chain is likely to include service and logistics businesses and thinking of its implications for policy and planning will be a positive help to the overall Shropshire economy.

It is worth remembering that any manufacturing business that is not making finished products is itself part of a customer's supply chain. Manufacturers' plans will be influenced by the actions of their customer base, which is likely to be outside Shropshire. Major physical developments like i54 are an opportunity for Shropshire because suppliers may wish to locate close to their main customer, so monitoring the fortunes and plans of key customers beyond Shropshire's borders may offer further insight into the potential requirements for business premises within the county.

#### 3.4.1.5 Typical Support Needs

Across Shropshire the manufacturing sector is diverse in both output and in business size. While many businesses fall into the standard definition of an SME, there are a few larger businesses. Most business support services are available for SMEs and often do not apply to large companies. However the strategic importance of the large businesses to the area is great, both as employers and also because they usually have an impact on the local economy that goes far beyond employment. The Council has had good links with its key employers in the past and should maintain these going forward to gather economic intelligence, make sure the support available to businesses is understood and hopefully receive alerts in advance of significant changes. Having a strong and supportive link with the local authority will be beneficial for the business as well.

With regard to premises requirements, consideration should be given to the associated businesses that are important to the sector or company. If a local manufacturer approaches the Council because it wishes to expand, as well as discussing its property needs, asking about their supply chain and the associated services they need would also be useful. The business is likely to appreciate this interest and understanding. However, the other benefit to the Council will be a greater understanding of the inter-relationship between local companies and sectors, which will help in future planning.

Collaborating with partner organisations such as the local Chamber and the EEF, the Manufacturers' Organisation, could strengthen the Council's offer in supporting the sector. The Chamber's current initiative in helping Shropshire businesses to bring local suppliers into their supply chain is valuable to both businesses and to the local economy as a whole.

The increasing sophistication of manufacturing and of the combined product and service demands of customers mean that businesses will require cutting edge facilities to help with

research and development. The University of Wolverhampton, on Shropshire's doorstep, offers the product design facilities of the Caparo Innovation Centre and the Virtual Design Enterprise Centre, which is "one of the first purpose-built virtual reality centres in the Midlands, allowing you to visualise a product or situation and evaluate its characteristics in detail before the final design."[18]

When the well-respected 'Manufacturing Advisory Service' (MAS) closed due to Government cuts, a gap was left in support for production businesses. Now PERA, under the aegis of a subsidiary company called Economic Growth Solutions (EGS), has launched a new programme, the 'Manufacturing Growth Service'[19] to fill that gap:

*"This will be achieved through a 19-strong network of experienced Manufacturing Growth Managers, access to industry specialists and the opportunity to apply for grants of up to £3500. Support can be used for leadership and management training, R&D, lean manufacturing, productivity and capacity, quality systems and supply chain development.[20]"*

Statistics published by EGS show that over 80 businesses in The Marches received support since the programme launch, of which 52% (42 businesses) are in Shropshire and the number of projects supported each month is increasing, demonstrating growing awareness amongst the sector. An infographic of the support given can be found in Appendix C to this report.

## Suggested Actions

**Sector Analysis**
Review the findings of in-depth sector analysis commissioned by Marches LEP

**Sector Forum**
Consider establishing a sector forum or other consultation mechanism to gather intelligence to shape policy development and business support

**Strategic Employers**
Maintain and strengthen links with the largest companies in the County to understand their plans

**Partnership Working**
Develop links with partners such as the Chamber and EEF to broaden and strengthen the business support package on offer. The Chamber's service to help integrate more local companies into supply chains could be beneficial for many companies

**Maintain, strengthen and promote financial support**
Business support with enabling finance such as Building Investment Grant, Manufacturing Growth Fund, the Green Bridge and Carbon Trust grants should be promoted actively.

[18] See: https://www.wlv.ac.uk/business-services/business-innovation/
[19] See: http://www.manufacturinggrowthprogramme.co.uk/
[20] Marches LEP website

### 3.4.2 Agricultural Technology

**Key issues**

- Agri-Tech is a very broad and diverse sector including businesses and technologies that would not be associated with agriculture by many people
- Agri-Tech includes both manufacturing and service businesses
- The majority of Agri-Tech businesses in Shropshire are engaged in the application rather than the development of technology
- The fall in numbers directly employed in agriculture reflects contraction by some and the increased use of out-sourced specialists by many

#### 3.4.2.1 Sector Overview

Considering the needs of the Agri-Tech sector can sometimes be difficult because there is no standard or accepted definition of what Agri-Tech or Agricultural Technology actually means. Published in 2013, the UK Government's strategy document: "A UK Strategy for Agricultural Technologies"[21] rightly recognised the importance of the sector without actually defining what it encompasses. A report on the possible creation of a collaborative programme between four LEPs[22], including the Marches, to support the sector under the name of Agri-Tech West decided to define it as *"The use of technology to achieve sustainable productivity growth in agriculture and processing"* and this is the definition we propose to use.

Agri-Tech draws on technology and activities from a range of specialisms and industries and applies them in this way. It therefore merges into other sectors including food and drink, engineering and science and others. However for simplicity and clarity, we will use the word "sector" when we mean any business or organisation involved in Agri-Tech as defined above. Helpfully, the authors of the Agri-Tech West report have produced a graphic which helps to illustrate the definition used.

The diagram overleaf explains how technology is being used to achieve sustainable growth in sector productivity. Explanations of the following terms are provided in the context of the above diagram:

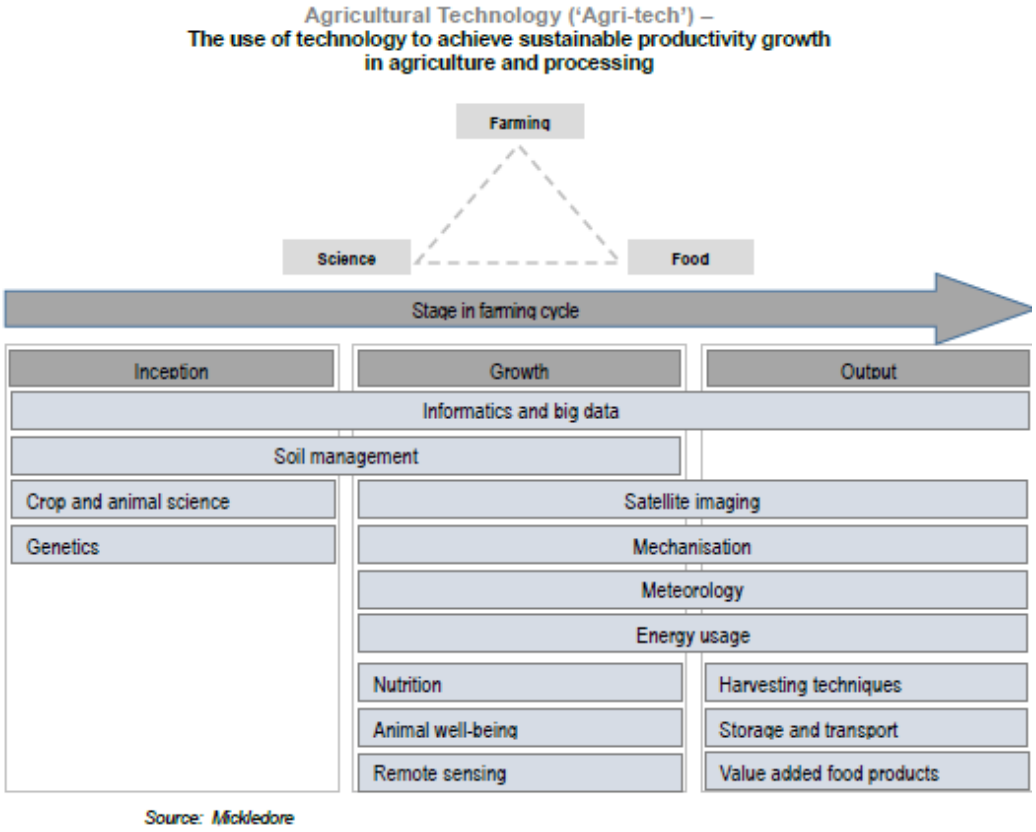
**Inception** – the beginning of the production process whether seed manufacture and sowing or animal breeding and birth

**Growth** – the nurturing of plant or livestock

[21] See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227259/9643-BIS-UK_Agri_Tech_Strategy_Accessible.pdf

[22] The Marches, Worcestershire, Cheshire and Warrington and Stoke on Trent and Staffordshire LEPs.

**Output** – the harvesting / slaughter activity, processing of the product and downstream activities.




3.4.2.2 Sector Trends

Changes in agriculture, the demand for and production of food, climate change and increasing need for environmental sustainability have all produced changes in the agri-tech sector. Sectoral divisions are blurring across the economy and agri-tech is included in this. The sector includes businesses that are developing and manufacturing equipment of various kinds to support modern agriculture and food production. Additionally many ICT based systems are now available for the industry using the latest in digital technology to maximise efficiency and output.

Like manufacturing, agriculture has seen a fall in the numbers directly employed in the sector but also like manufacturing there has been a rise in the number of agriculture dependent jobs, with many companies working in and for the sector on a contractual basis. Agri-tech businesses can come in many forms including both manufacturing and services. It is likely that these changes will continue with increasing automation and the use of technology being brought into agriculture and horticulture.

The blurring of sector boundaries and the mixing of production and services, reminiscent of manufacturing as a whole provide significant challenges for policy makers because it is no longer desirable to think of these sectors in narrowly defined terms but to consider the

inter-relationships that exist and the number of sector dependent businesses and jobs that are supported.

#### 3.4.2.3 The Sector in Shropshire

Around 80% of the land area in Shropshire is devoted to agriculture and so the Agri-Tech sector is important to the County. Furthermore, it has been estimated that 50% of the Agri-Tech businesses in the West Midlands can be found in Shropshire and Staffordshire and around 22% of all the businesses in Shropshire can be defined as agri-tech according to the Marches LEP; the Agri-Tech West report lists 20 companies in Shropshire in the sector; however there is considerable cross over into the food industry because of the blurring of sector boundaries and the natural cross over that can exist. The ownership of these 20 companies is mixed, while most are British owned, one is Swiss owned, two Netherlands, one USA and for two the ownership had not been identified.

Harper Adams University has a national and international reputation as a centre of excellence in both teaching and research on agriculture and agricultural technology. The University's Agricultural Engineering Innovation Centre and the National Centre for Precision Farming are examples of how its acknowledged leadership in this area continues to grow. Plans exist for a new centre on the campus which will have incubator space for agri-tech businesses and more details are being sought.

Outside of Harper Adams University there is comparatively little actual research and development in agricultural technology in the County, most of the businesses are involved in its application, which may not be too surprising when considering the importance of agriculture and food production across the rural West Midlands and in Shropshire in particular.

Recognising the importance of agri-tech, food and drink and advanced manufacturing to its area, the Marches LEP has included in its Strategic Economic Plan, proposals for significant capital investment in the FE sector to generate an increase in the numbers of traineeships, apprenticeships and Level 2 and Level 3 learners and qualifications, responding directly to employer skills needs. The investment will be in the refurbishment of premises, new build and high tech equipment. This should add to the attraction of the area as a place to invest and grow businesses in these industries. For agri-tech, when coupled with the developments that are already taking place at Harper Adams and across the County, it could be very positive.

#### 3.4.2.4 Premises Implications

When considering the needs of growing agri-tech businesses, including property requirements for growth, the diversity of the businesses concerned makes it clear that "a one size fits all" option is not available. The Government's Agri-Tech Strategy highlights a number of the key sub divisions within the sector; these include:

- Informatics and big data - including specialist IT companies and software developers

- Soil management – including scientific services, seed producers, fertilizers and pesticides, equipment and regulatory agencies
- Animal and crop science – including scientific services (including genetics), nutrition, veterinary services, feed stocks and animal well being
- Satellite technology – including GPS tracking, IT services, drone technology
- Mechanisation – including IT services, robotics, automation, engineering
- Energy and environmental management – including scientific services, IT services, engineering.

All of the above are already being pursued across Shropshire and Harper Adams University is leading research in many. Mechanisation and technology are central to the drive to increase productivity and the use of satellite and drone technology is at the heart of precision farming. Therefore the needs of the businesses that work in these areas whether they are undertaking R&D activities or involved in applying the technology for the end user will require many different types of premises including laboratories, offices, factory space (often with very different levels of finish and fittings), traditional units and some open space.

3.4.2.5 Typical Support Needs

Given that the majority of agri-tech businesses in Shropshire are involved with the application of technology rather than its development but that they cover a very diverse range of activities including both manufacturing and services they need access to a broad range of business support services. This should include good and accessible generic business advice plus directing to other specialist sources including those that provide funding to help development. When considering support and policy initiatives that affect the agri-tech sector remember the cross over into other sectors and the number of sector dependent jobs and adopt a holistic approach.

Organisations such as Shropshire Chamber may prove valuable partners with the council in delivering these services, as they already are with the Growth Hub, however there may be a need for more resources if easy access to advice for all relevant businesses is to be available.

The Chamber already offers a service to Shropshire firms to help them strengthen their supply chains by including local suppliers of goods and services, this could be extended and promoted to farmer an growers whose own supply chains are becoming more diverse.

Other facilities will also be important, but the importance will vary depending on the nature of their work. While all businesses will require good IT and broadband services, the requirement of some will be significantly above average; for example businesses working on the use of informatics and big data will need a reliable source with high band width.

Subsidy programmes mentioned in the Advanced Manufacturing section of this report are also relevant to this sector e.g. Green Bridge. Support for small rural businesses is available

in South Shropshire via LEADER. These grants are also useful for the application of agri technology by farms and other producers.

Mentioned earlier in this section, Agri Tech West is an initiative to replicate a successful initiative in Eastern England called Agri Tech East[23], which, according to its website, "is an independent, business-focused cluster organisation, to improve the international competitiveness and sustainability of plant-based agriculture and horticulture. It is bringing together farmers and growers with scientists, technologists and entrepreneurs to create a global innovation hub in agri-tech." A scoping study for the 4 LEPs[24] suggests a range of possible activities.

## Suggested Actions

**Sector Analysis**

Review the findings of in-depth sector analysis commissioned by Marches LEP

**Sector Forum**

Consider establishing a sector forum or other consultation mechanism to gather intelligence to shape policy development and business support

**Strategic Employers**

Maintain and strengthen links with the largest companies in the County to understand their plans

**Partnership Working**

Develop links with partners such as the Chamber and EEF to broaden and strengthen the business support package on offer. The Chamber's service to help integrate more local companies into supply chains could be beneficial for many companies

**Maintain, strengthen and promote financial support**

Business support with enabling finance such as Building Investment Grant, Manufacturing Growth Fund, the Green Bridge and Carbon Trust grants should be promoted actively.

Agriculture has been particularly dependent on EU finding support. While the Government is promising to continue support it will be important for business support to be aware of sources of funding for innovation and development and ensure they are well promoted

[23] See: http://www.agritech-east.co.uk/about/

[24] See: http://www.wlep.co.uk/assets/Exec-Summary-Agri-Tech-West-Report-November-2016.pdf

### 3.4.3 Low Carbon

**Key issues**

- The term Low Carbon has a number of meanings and it becomes difficult to define a Low Carbon sector
- Many companies are adopting low carbon technologies either because they make sense for the company's own development and/or a response to market demand or legislation
- Many businesses that can currently be classified as in the Low Carbon sector also have a significant part of their activity in other areas
- The application of Low Carbon technologies and activities is vital and as they spread through all sectors it may be more valuable to support their development and application rather than to try to focus support on a very diffuse sector

3.4.3.1 Sector Overview

"There are a lot of low carbon businesses in Shropshire, they are just not always easy to pick out!" said a senior Shropshire business executive in conversation with us. That comment is true and not just for Shropshire. Reduction in carbon emissions is vital to the welfare of us all and so the term "Low Carbon" is widely used but in a variety of contexts.

Low carbon is the term used by governments and others to encourage all of us to change our thinking and our actions so that we become more environmentally aware and reduce our carbon footprint. It is also used to describe an increasingly diverse range of products and services. Some of which are designed to perform a function that reduces carbon in the atmosphere, such as carbon capture equipment and processes. It can also be used to describe new versions of existing equipment and machinery that, because of their design and technology, use less energy and therefore have a lower carbon impact; examples can include products from cars to domestic washing machines.

The third way Low Carbon is used is when describing the businesses that actually make a significant contribution to the development of products, services, technology and processes that reduce carbon in our society. They may do this for themselves or for other businesses. Innovas, in their report, "Evaluation of the Environmental and Low Carbon Sector in the Marches and Worcestershire LEP Areas", said *The definition of the environmental and low carbon sector includes research and development, manufacture of end products and components, production of fuels, supply of products/services/fuels, installation and maintenance.* It is therefore often referred to as the Low Carbon and Environmental Goods and Services Sector (LCEGS).

### 3.4.3.2 The Sector in Shropshire

While many businesses were established specifically to work in this sector, a large number of established businesses have moved into it because they saw the benefit to their products, services and markets. As a result of this, some businesses that are in the sector also have interests that are not classified as low carbon but some 60% of the businesses in the Marches LEP area that are within the sector have 75% of their business in sector relevant activities.

The local sector profile differs from the overall national picture in that it contains many more micro businesses and sole traders but also that it has shown significantly greater growth in certain sub sectors such as renewable energy and alternative fuels compared to the national profile. Again, when considering gross value added (GVA) the local LCEGS sector contributes a higher proportion of GVA to the local economy than the whole national sector does to the UK economy. Within Shropshire local businesses show comparative strengths in

- Waste management - including recycling
- Environmental consultancy
- Energy management and
- Alternative - fuel vehicles

LCEGS businesses are located across the County as the following table indicates, with the highest concentration, around half of the total, in and around Shrewsbury.

**Table 4.9: Locations of LCEGS Companies in Shropshire**

| Main Towns | Population ('000s) | Companies |
|---|---|---|
| Shrewsbury | 71.7 | 117 |
| Oswestry | 15.6 | 21 |
| Bridgnorth | 12.2 | 21 |
| Ludlow | 10.5 | 24 |
| Market Drayton | 10.4 | 12 |
| Whitchurch | 8.9 | 14 |
| Shifnal | 7 | 8 |
| Wem | 5.1 | 1 |
| Broseley | 4.9 | 2 |
| Church Stretton | 4.7 | 2 |
| Ellesmere | 3.2 | 6 |
| Much Wenlock | 2 | |
| Cleobury Mortimer | 2 | 1 |
| Craven Arms | 2 | 13 |
| Bishops Castle | 1.6 | 6 |
| Other | | 13 |

Source: kMatrix, metnet and Innovas Consulting.

However, given Shropshire's development plans, there are some real opportunities to grow the sector through a creative approach to policy implementation by the Council and other public sector partners.

By 2025 Shropshire is forecast to need an additional 11,000 houses; it will require additional and enhanced flood defences to minimise flood risk in key areas while at the same time there is a need to ensure and maintain water availability to agriculture; and the supply of mains gas to domestic properties only reaches 69% compared to a national average of 87%. If Shropshire sought to tap into the expertise it has within its borders when it and its public sector partners (like the Environment Agency) were dealing with these issues it is possible that original and imaginative schemes would be produced that enhanced the environment through energy efficiency and reduced carbon impact, strengthened the economy and attracted investment in the County by both local and outside companies welcoming the positive attitude they found.

Under UK and EU regulations it would not be possible to tender for large schemes that were solely aimed at local businesses, but ensuring those businesses were informed of forthcoming plans well in advance and that they knew when and how to tender would be very beneficial. The landscape and environment in the county supports many businesses and much employment, in agriculture, tourism, LCEGS and the many businesses in their supply chains and customer bases. Within its business community Shropshire has the knowledge and experience that can help to preserve and maintain this vital asset for its continued variety of uses into the future.

#### 3.4.3.3 Sector Trends

Low carbon technologies will continue to spread inexorably across all areas of activity. Businesses will adopt new initiatives to enhance their products and services making them more environmentally friendly and reducing carbon impact. Defining the sector is therefore likely to get even more difficult as many companies will describe themselves as low carbon as a result of the changes made to their products or services. Those businesses offering products and services that assist others in reaching their low carbon goals are also going to be very diverse covering all sizes of business and including manufacturing and services.

#### 3.4.3.4 Premises Requirements

The diversity of business sizes and types in the low carbon sector means that premises requirements will be equally diverse. The business needs will require offices, factory and some workshop space. Some businesses are very involved in research and development and so some will require laboratory or other specialised workspace. Fixtures and fittings for units will best be added when the specific needs of the particular business are known.

3.4.3.5 Typical Support Needs

Sector businesses will benefit from generic business advice and some will require specialist advice from a variety of sources including universities, public sector agencies and others but those will only be identified when the needs of the particular company are known.

Engaging with partners such as the local Chamber of Commerce, the LEP and UCS may help the Council to offer a supportive package of services to the sector, but taking a lead from the sector's own opinions of its needs will help to shape it more effectively. However, given the diversity within this sector if the Council wishes to establish a consultative group it may be helpful initially at least to invite any business interested in joining. If it becomes a large group consultations can be undertaken electronically and invitations can be sent to get volunteers for any proposed consultation meeting.

Industry surveys have shown that networking of the type that Met Net used to provide was greatly valued, because of the opportunities it gave for exchanging ideas and developing collaborative relationships. Looking for ways to encourage networking of that type within the sector would be valuable. Many business networking groups are in existence, but one catering specifically for the needs of low carbon sector businesses would appear to be welcomed. The Council may wish to consider engaging with a partner, such as the Chamber of Commerce, to try to organise regular events for the sector on the Met Net model.

Its business support needs are also like many other sectors but industry surveys have shown that networking of the type that Metnet used to provide was greatly valued, because of the opportunities it gave for exchanging ideas and developing collaborative relationships.

The Heart of the South West LEP has taken the initiative of establishing a Low Carbon Group, which may form a model that Shropshire may wish to consider. The Group brings together industry representatives with the LEP to

- Review what initiatives there are in the region and assess where there may be opportunities for grouping of them to attract Government funding
- Nurture new programmes that need LEP support
- Work with existing renewable energy bodies in the region to ensure that there is no duplication of effort

As a model, it appears to be welcomed by the sector in that LEP area and may prove equally valuable for other areas, like Shropshire, and for other sectors.

# Suggested Actions

### Sector Analysis

Review the findings of in-depth sector analysis commissioned by Marches LEP

### Sector Forum

Consider introducing a model for engagement such as that developed by the Heart of the South West LEP to involve the sector and develop new initiatives. The sector is both very diverse and not easily defined, and it is therefore important to be open and flexible in approaching the sector in order to engage all businesses

### Strategic Employers

Maintain and strengthen links with the largest companies in the County to understand their plans

### Partnership Working

Develop links with partners such as the Chamber and UCS to broaden and strengthen the business support package on offer.

### Maintain, strengthen and promote financial support

Business support with enabling finance such as Building Investment Grant, Manufacturing Growth Fund, the Green Bridge and Carbon Trust grants should be promoted actively.

### 3.4.4 Medical Technologies

**Key issues**

- Medical technologies include a wide range of activities including both the development and production of equipment and less tangible products such as software. For the purposes of economic development and the needs of this report we have also included research and development in pharmaceuticals and the life sciences.
- The sector enjoys a lot of collaborative activity, especially in the R&D phase. Collaboration can be with other businesses, with hospitals and clinicians, universities and other research bodies.
- Establishing a cluster in the sector usually requires the active involvement of a research partner, such as a university or hospital, with a strong research focus.
- Doctors are frequently involved in research but few leave the profession to start a business, preferring to leave the commercialisation to established organisations.

#### 3.4.4.1 Sector Overview

Medical technologies are an increasingly important sector in the UK with a high international reputation. Pharmaceuticals, medical biotechnology and medical technology sectors together comprise around 4,500 firms, employing 165,000 staff, with an R&D spend of nearly £5bn and an annual turnover of over £50bn. The Department of Health and the Department for Business Energy and Industrial Strategy have established the UK Office for Life Sciences to help the sector to grow, innovate and export.

The sector collectively is strongly represented in the West Midlands. During the time of the Regional Development Agency, Advantage West Midlands, support was given to the development of some twelve industry clusters and medical technologies were one of these. Clusters have continued after the closure of the regional development agency because this structure works to help develop collaborative relationships within and between clusters and to support business growth including knowledge transfer into and out from clusters.

#### 3.4.4.2 Sector Trends

As with so many sectors digital technology is playing an important part all across the sector, while advances in areas such as genetics are also opening up many new ways of addressing particular health conditions. Collaboration is a feature that is also seen between companies and with universities and other research bodies. During the time of the Regional Development Agency, Advantage West Midlands (AWM), support was given to the development of some twelve industry clusters: medical technologies was one of these.

Clusters have continued after the closure of AWM because this structure works to help develop collaborative relationships within and between clusters and to support business growth including knowledge transfer into and out from clusters.

#### 3.4.4.3 The Sector in Shropshire

In our report in 2013 we investigated why there was not a medical technology cluster in Shropshire around its hospitals, given that the Royal Shrewsbury and Robert Jones and Agnes Hunt Hospitals are both involved in considerable research activity. Within our present study we have been asked to investigate what the present situation is and whether anything has changed.

The use of IT has meant that clusters can function even though they may be geographically spread. However, businesses can and do locate together in a 'proximity cluster' when there is advantage in doing so. In our earlier report we said, *"This will often be in close proximity to an organisation with which they can develop mutually supportive collaborative relationships. Depending on the nature of the business and cluster, this organisation may be a university or hospital (in the case of a medical cluster) or other research organisation – such as QinetiQ in Malvern.*

*"However for a proximity cluster to develop, it is important that the university, hospital or other body must have an open and entrepreneurial approach and is pro-active in encouraging direct collaboration with business. This cultural commitment must be embedded across the organisation in order to make this arrangement work."*

##### *Research Activity within Shropshire's Hospitals*

Research within the hospitals falls into three distinct but related areas, namely:

- *Pharmaceuticals* – this is usually when a drug company asks doctors to participate in a drug trial; this will usually involve several participating hospitals or clinics in a trial which may run over several years;
- *Equipment and technology* – as with pharmaceuticals this is often a trial that is organised by an outside partner seeking hospitals and clinicians to test out the new technology in a controlled trial. However, doctors and other health professionals may produce an idea of their own which may then be developed by the hospital, possibly in partnership with another organisation or company;
- *Process and practise* – sometimes an individual or group will identify a better way of doing something. This may be in the treatment of a medical condition or in the way particular tasks are carried out, for example, in cleaning to support infection control or in procurement to secure better value for money. These ideas may also be trialled by the hospital itself or with others to test their efficacy.

Both the Royal Shrewsbury and RJAH Hospitals engage in research in all of the three areas mentioned above, however there is a significant difference in that all of the research activity

at the Royal Shrewsbury is originated and led by outside bodies and no new innovations have been produced by staff there in the last ten years. The situation is very different in Oswestry where, while the staff at the RJAH are engaged in collaborative work originating outside, there is a considerable body of innovation and original research developed within the hospital.

Some of this internal research may reach a conclusion that identifies a solution with an end product. In some cases the end product, whether equipment of medication may be most appropriately developed and commercialised through an existing outside company. The hospital will use its contacts through the NHS system to ensure that the product is well placed and the researchers/clinicians at RJAH plus the hospital itself will benefit from that.

The NHS organisations that RJAH and other hospitals work with are Mid Tech, the NHS placement service and the Academic Health Science Networks which operates across the country. These bodies can help in finding hospitals and clinicians to test new drugs and equipment as well as helping clinicians that have invented innovative equipment or treatments to get them developed and manufactured.

Although starting from different positions, both hospitals have plans to extend their research activities. Royal Shrewsbury has worked with Keele University for some time, taking medical students from Keele's medical school and they are now in discussions to extend the collaboration into research. When the developments and aspirations of University Centre Shrewsbury (UCS) were explained, it was felt that the hospital would be very willing to talk with them but that any suggestions would not have to compromise the R&D activities that were already in place.

RJAH are already working with both Keele and UCS. Medical students from Keele get clinical experience at the hospital as they do at Shrewsbury and there may also be research collaboration but that has not been confirmed.

With UCS the hospital is aware of their ambitions and already has a strong collaborative relationship, this includes taking students on work placements especially some of the PhD students. Additionally there is joint research going on with the UCS medical and life sciences department.

Staff at RJAH have been "quite prolific" in producing innovative ideas; we were told of one registrar who was personally described as "prolific" for producing new and innovative IT apps for clinical use. Some ideas have been found to have already been thought of and patented, while others have been original. The hospital is very willing to work with staff concerned to help them develop the idea including finding partners for R&D when appropriate. If an idea is developed into a final product then help will be provided in commercialisation. The NHS contacts mentioned above are used but help is also offered if the staff member wishes to have a more long term involvement in the commercial development, this may include setting up a company. While most doctors usually prefer to continue in medicine rather than being involved in running a business, the hospital's research department thought that some of the PhD students working with them were much more likely to choose the entrepreneurial route.

At national level, the NHS has established a clinical entrepreneurship programme. This aims to give support to clinical entrepreneurs, both those that have innovative ideas for treatments or equipment and those that have innovative and entrepreneurial ideas in relation to other NHS activities, for example procurement. This programme will also be used by the hospital and its staff when appropriate.

### *Is a Cluster a Possibility?*

A proximity cluster is certainly possible near the RJAH Hospital but estimating its likelihood is not easy. The hospital has had for many years been developing original research and it has a culture of helping staff to develop ideas that will bring those to commercial reality. This was the case when we last studied this issue but at that time, as now, it appeared that most of the innovations with commercial possibilities originated from doctors and they were unwilling to leave their chosen career of medicine to try to develop a commercial venture; particularly when there were ways of seeing ideas brought to fruition with established businesses and being able to share in the commercial reward.

What is different now is that there are more research students working at or with the hospital in the broader range of life sciences and they can often see a post-doctoral career path that involves taking their ideas from the laboratory through to commercial use. The arrival on the scene of UCS appears to have been the catalyst that has stimulated this change. However, it is impossible within the scope of this study to give a clear estimate of how long it may take for this to develop into a proximity cluster and the possibility that it may not cannot be ruled out.

What may be needed is the first researcher to decide that he or she wishes to establish a business to continue the research and to take the results to commercialisation. At that point they may be looking for premises although that may be somewhere very small with perhaps an arrangement with the hospital and or their university to continue to have access to some of their laboratory facilities. It may then move from there into other premises close to the hospital, particularly if continued collaboration would be helpful. Once the first move has been made in this way others may be more encouraged to go down the same route, possibly including some doctors who may see an opportunity to combine continued medial practise with involvement in a research led business.

However, from our research we have identified what may be another catalyst. UCS has plans for a digital platform for Shropshire, which will include health as a key area. Discussions have taken place about developing this around the RJAH hospital; however we have not been able to get more detailed information perhaps because the discussions may still be at an early stage. Additionally, UCS is keen on the development of an Oswestry Research Park including a possible physical medical cluster. We believe that this has been discussed with the hospital and that the sharing of the knowledge that the two organisations have may have strengthened the view that this is a possibility.

The Hospital Trust owns land around the hospital and the Council also has land holdings in the area. This suggests that a Medical Technologies theme for the Oswestry Innovation Park

could be feasible. The increased collaboration between public sector land owners across the country could help to facilitate joint working on projects such as this. Life science businesses arising from research at UCS would be able to establish themselves relatively easily on the Oswestry Innovation Park, offering collaboration with UCS and the hospital together with their peers among other businesses on the Park with relevant interests.

The conclusion therefore has to be that the situation has changed since our 2013 report but, while a proximity cluster is definitely possible, predicting when and how it may develop is less certain with the information we have at present. Further research could give the Council a greater understanding of this issue if required, including a more informed assessment of a likely development timescale, but even then it may not be possible for a specific time line to be identified.

#### 3.4.4.4 Property Requirements

Businesses in the sector usually seek high quality premises often with laboratory and other specialist work space. Fitting out is probably best done when a specific occupant is identified and then the internal fixtures and fittings can be tailored to their particular needs. Where there are plans for a proximity cluster, such as may develop in Oswestry, then the local links to the research organisation with which there is likely to be collaboration (the RJAH Hospital in Oswestry) must also be considered in both planning and construction.

#### 3.4.4.5 Typical Support Needs

Many specialist businesses require generic business support such as is required for other businesses of similar age or stage of growth such as advice on processes, access to finance, HR etc. Support from local organisations including the Council, LEP and Chamber of Commerce are going to be valuable including some of the Marches LEP grant funding such as the Growth and Innovation Funds and Green Bridge, which may be able to help businesses in the sector. They will also need more specialist support that is peculiar to their sector and specialism; the UK Office for Life Sciences, Innovation UK, UKTI and others have specialist staff able to help.

The Council would benefit from establishing a forum or other consultation mechanism to enable them to learn what is happening within the sector. This would provide contacts and intelligence that would assist the Council in developing its plans and in policy making. If there is collaboration between the Shropshire companies and another body (UCS and or RJAH Hospital) including them in the Forum or consultation mechanism would be valuable.

# Suggested Actions

### Sector Analysis

Review the findings of in-depth sector analysis commissioned by Marches LEP

### Sector Forum

Consider introducing a model for engagement such as that developed by the Heart of the South West LEP to involve the sector and develop new initiatives. The sector is both very diverse and not easily defined, and it is therefore important to be open and flexible in approaching the sector in order to engage all businesses

### Strategic Employers

Maintain and strengthen links with the largest companies in the County to understand their plans

### Partnership Working

Develop links with partners like the Chamber, UCS, RJAH Hospital and others as appropriate, to broaden and strengthen the business support package on offer. The Chamber's service to help integrate more local companies into supply chains could be beneficial because while these companies will have very specialist requirements, they will also need other materials and services the Chamber will be able to help them by linking them to local businesses.

### 3.4.5 Tourism

**Key Issues**

- No overarching tourism strategy or integrated (county-wide) marketing plan
- Find ways to extend visitor short stays.
- Address gaps in the county's tourism 'offer' e.g. more activity breaks

*For research into the needs and potential of the tourism sector, the approach agreed was slightly different to that for other sectors, namely: to undertake an overview of opportunities and to talk to an external national tourism operator to gain a view of any potential in the county.*

#### 3.4.5.1 Sector in Shropshire

Tourism is a significant sector for the county and a priority for Marches LEP – 2011 figures suggest tourism was worth approx. £0.5bn per annum and employed over 14,000 people. The county is particularly dependent on short breaks and day trippers, so ways to persuade visitors to extend their stay, even by one day, would have a major economic impact.

The county's heritage and beautiful landscape are a major draw. Locally produced food and drink add to the attraction for visitors and it is no coincidence that the county hosts at least three food festivals per annum in Shrewsbury, Ludlow and Ellesmere. Themed festivals are a recognised tourism mechanism – they can appeal to different audiences; alongside food and drink, the Shrewsbury Flower Festival has a national profile.

Major visitor attractions like Severn Valley Railway draw in steam enthusiasts and their families. Whilst the industrial heritage of Ironbridge may be over the border in Telford, there is still plenty of potential to offer accommodation in more scenic Shropshire to overnight visitors, particularly given the interest of international visitors in World Heritage sites – Shropshire is able to offer two on its borders.

University Centre Shrewsbury is offering tourism courses and plans to concentrate on highlighting the existing tourism assets that make the county distinctive.

#### 3.4.5.2 Challenges and Opportunities

A major challenge for the county is that there is no single coordinating or marketing body and although the location-specific tourism bodies each run professional websites, there is no over-arching strategy or strategic body and, as a result of funding cuts, the Council has no tourism officer. Local strategies appear to focus on small scale changes that are within their control, such as improving customer service standards. In research conducted by IPPR

North for Shropshire Council in 2016, one suggested action was to support Marches LEP to build a coherent marketing strategy for Shropshire – many participants argued that Shropshire was still a relatively unknown destination for tourism, what some called 'England's best kept secret'. Consultees suggested the Council should work with the LEP to co-ordinate Shropshire's tourism economy and support initiatives to better market the area and its visitor attractions.

A further proposal from the research was to *"reframe the way in which Shropshire's environmental assets are understood so that they are seen as resources, rather than constraints, assets rather than barriers to growth. This is an approach which has been used by other councils and links to university ambitions to become a centre of excellence for environmental sciences."* This reflects the importance of Shropshire's landscape as a tourism asset. Although the landscape will be seen as the work of nature, many aspects of it are managed, including by farmers, landowners and conservation trusts, so acknowledging their contribution, including them as stakeholders and, possibly finding ways that reward them for maintaining the attraction of the landscape is worthy of consideration.

A further point arises here. Our work brings us into contact with numerous conservation bodies, who operate 'under the radar' as far as economic development is concerned. In fact, many are extremely successful at winning external funding, particularly from Heritage Lottery Funds, often in the £million, which they then spend locally. They are an under-utilised asset in our view. Aside from attracting investment into the county, they often have a large following of volunteers and provide regular training courses. There may be scope to discuss extending these courses to visitors who would welcome a conservation activity-based short break, where they get out into the fresh air and countryside, undertake some useful conservation work and learn a new skill. In addition, the Trusts are aware of the importance to tourism of some of their work, which often opens up access to natural assets, such as lakes and rivers. Furthermore, their bids may embrace tourism themes.

Severn Rivers Trust's 'Unlocking the Severn' project is one such initiative and proposes a visitor centre and viewing gallery in Worcester[25].

Two potential gaps in Shropshire's tourism offer are the lack of a high profile static visitor attraction and more sports/activity/recreation-based leisure activities. We spoke to a national attraction operator to understand better the current market in relation to major visitor attractions. Their advice was that the public currently enjoy entertainment-based attractions, possibly with a TV or film connection. Warner Brothers Harry Potter Studio Tour is one such extremely successful example, now rated as one of the UK's top tourism attractions. Coronation Street Studio Tour is currently on tour to different destinations. This latter activity offers short-term returns but means that a permanent site does not have to be found. Partnership collaborations with national operators are a way of harnessing expertise and sharing the risk.

[25] See: http://severnriverstrust.com/projects/unlocking-the-severn/ and http://worcestershirehour.co.uk/walker-welcomes-major-project-unlock-severn-encourages-residents-say/

The county's heritage may provide other opportunities, for example, for re-enactment-based attractions. For example, the site of the Battle of Shrewsbury appears under-exploited. For an insight into how live action shows can be developed, take a look at Kynren's website[26]. The site in Bishop's Auckland draws its inspiration from Puy du Fou[27] in France.

3.4.5.3 Sector Cross-overs

*Food and drink* - Understandably, there is extensive cross-over between the food and drink and tourism sectors. Shropshire's food festivals are an example of how the two sectors work hand-in-hand for mutual benefit. Shropshire is well placed for artisan producers of food and drink, whose produce will appeal to visitors. Targeted marketing can also make this the purpose of the visit.

*Creative and digital* - Tourism audiences are increasingly sophisticated and used to professional visitor attractions of the highest calibre. Both the interpretation of history and staging live shows offers some interesting potential for cross-over collaboration with the creative and digital sectors, which may be worth discussing with USC and the University of Wolverhampton to ascertain whether there is scope for a joint development project.

## Suggested Actions

**Sector Analysis**

Review the findings of in-depth sector analysis commissioned by Marches LEP

**County-wide Strategy**

Consider developing an integrated strategy and marketing plan to overcome fragmentation and target limited available resources.

**Research potential of new visitor attractions**

Consider feasibility planning for new attractions based on physical activity/sports and or the county's heritage and traditional skills.

**Partnership Working**

Develop links with conservation trusts, whose work often underpins tourism, particularly in rural areas and who are successful at bringing funding into the county.

[26] See: http://elevenarches.org/
[27] See: http://www.puydufou-international.com/en/index.php

### 3.4.6 Health and Social Care

**Key issues**

- Shropshire's demographic will drive further requirements for housing for older people
- New models of care and housing will be needed to promote independent living and ease pressure on public resources
- Availability of development sites will need to match demand
- Impact of national social care policy on county should be monitored

#### 3.4.6.1 Sector Overview

The UK's aging population is well documented: across England, the over-65 age group will be the fastest-growing and ONS projections suggest that the number of over 90-year olds passed 500,000 in England in 2015 and will reach one million between 2033 and 2034.

Pressures on the public provision of health and social care services are ever present in the media. Government and support agencies alike are encouraging the development of models of 'independent living' which means older people can stay in their own homes while receiving the support they need. This means that there are some contrary issues for companies operating in the sector.

#### 3.4.6.2 Sector trends

The demographic change is giving rise to a variety of commercial opportunities for the private sector:

- New models of supported housing, such as retirement villages, which provide 'your own front door' complemented by differing levels of support and care, while enabling social interaction[28];
- Private social care and other support services in people's existing homes;
- Product development designed to meet the needs of older people as they become frailer, including physical adaptations to homes and with increasing use of so-called 'assistive technology' e.g. remote data monitoring systems.

There are also some challenges for the sector, which are already emerging:

- Public sector contracts to provide health and social care in people's homes have been 'squeezed' over recent years, to the point where they are no longer economic for

[28] The Institute of Housing provides some useful background reading in its report: "New approaches to housing for older people" (2014), which can be viewed at: ¨ http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/New%20approaches%20to%20delivering%20better%20housing%20options%20for%20older%20people.pdf "

organisations to run. As a consequence, some companies have withdrawn from contracts;

- The same is true of some residential homes with high numbers of Council-funded residents, which have become uneconomic to run;
- Residential homes are CQC-inspected and those offering higher levels of care have to meet statutory staffing ratios;
- Care workers are notoriously poorly paid and recruitment has proved increasingly difficult, so there is a shortage of willing labour alongside very tight, or even negative, margins.

3.4.6.3 The Situation in Shropshire

Shropshire's over 65 population is above the national average. According to the Council's website:

*"The 2011 Census results show 63,400 people aged 65 years and over being resident in Shropshire. This is an increase of 23.8% between 2001 and 2011. In this age group Shropshire has experience significantly higher growth than England & Wales (10.9%) and the West Midlands (12.6%). In 2001, the 65 years and older population represented 18.1% of the total Shropshire population. This has now risen to 20.7% in 2011, compared to 16.4% for England and Wales."*[29]

*"In Shropshire, the 65-84 year old age group is projected to increase by 34,500 people, or 70.2% by 2031, from 49,000 in 2006 to 83,500. Oswestry district is projected to experience the largest growth of 95.7%, followed by south Shropshire, with growth of 78%.*

*"85 years and over – this population group is projected to increase by 194.6% (13,600 people) from 7,000 in 2006 to 20,600 in 2031.*

*"Of all Shropshire districts, Bridgnorth district is projected to experience the highest level of growth in the very elderly population (223.7%).*

*"South Shropshire remains the district with the highest proportion of people 85 and over, at 2.9% in 2006 and 7.1% in 2031."*[30]

This is not a homogenous group and their preferences and requirements for living accommodation and care will vary widely. Many may be perfectly active and will continue working into their 70s but others will develop health problems, including chronic conditions that may be increasingly complex as they age. More and more people live alone in adult life and, in addition, the loss of a partner can cause loneliness and isolation. Shropshire is a popular retirement destination and offers many advantages but moving away from family and friends can also add to isolation.

[29] See: http://new.shropshire.gov.uk/media/3524/census-information-sheet-1-older-population.pdf
[30] See: http://new.shropshire.gov.uk/information-intelligence-and-insight/facts-and-figures/population/future-projections/

Negative stories in the media have made the public more aware of acceptable standards of care in care homes and given rise to review websites where relatives can record their opinions about quality of care. The website "Care Homes" lists 171 care homes as based in Shropshire, although, yet again, some are in Telford or peripheral locations.

Care home operators are a mix of private businesses, sometimes family-run, not-for-profits and national commercial operators. While some provide general care services for older people, others specialise, for example, Oswestry residential care home Hengoed Park specialises in care for those suffering brain damage caused by alcohol addiction. Hengoed House was recently included in the "1,000 Companies to Inspire Britain[31]" report, which is compiled annually by the London Stock Exchange and identifies the UK's fastest-growing and "most dynamic" SMEs.

#### 3.4.6.4 Property Implications

The commercial housing developers have embraced the demographic changes as a massive business opportunity: retirement villages are springing up across the country. Such facilities are already present in Shropshire and more will be developed, for example:

- Meadowbrook Court Bungalows in Gobowen, Oswestry
- Roman Downs in Craven Arms
- Stiperstones Court, Abbey Foregate
- Bradeney House, Bridgnorth.

Shropshire Council's register of planning applications details seven applications in the past two years to provide retirement accommodation, usually in flats or bungalows, predominantly in Shrewsbury (138 units), but also 44 units in Ludlow, 2 bungalows in Wem and one other.[32]

The trend seems likely to grow: an April 2016 report by the NHBC Foundation[33] found that nearly one million older people across the UK said they would consider moving into retirement housing but, at the time, only 128,000 units were available.

Whilst the number of older people in the county is a concern for the Council, there are potential benefits to public services to be achieved from providing facilities that keep people economically active, physically active and in better health for longer. Older people, who are down-sizing, will free up housing for larger families, so easing pressure on housing and retirement housing complexes usually feature a high density of accommodation, which offers more cost-effective land use than other types of development.

Growth in the sector will require new housing sites to be made available; the Council has already identified some possible sites in its development plans. One might also expect that

[31] See: http://www.lseg.com/resources/1000-companies-inspire/2017-report-1000-companies-uk
[32] See: https://pa.shropshire.gov.uk/online-applications/pagedSearchResults.do?action=page&searchCriteria.page=1
[33] See: http://www.nhbcnewhomes.co.uk/industry-news/high-demand-for-quality-retirement-housing/

care homes with available land will look at developing facilities, particularly where this would help to offset poor margins on publicly funded work.

The benefit of these developments is that, unlike normal housing developments, a proportion of these will offer a range of permanent employment opportunities.

3.4.6.5 Support Requirements

For businesses that are reliant on public sector service contracts, the Council can best help by making sure that the contracts offered are financially viable.

The sector traditionally struggles to recruit care staff so recruitment support may be beneficial. Financial support for upskilling the workforce may also be of benefit.

University Centre Shrewsbury (UCS) has identified both older people and rural living as themes for some of its work, so encouraging their collaboration with developers may bring benefits for university research, for the developers and for their residents.

There may be further opportunities to broker collaboration with medical and health research mentioned earlier. One of the findings from the NHBC study was that older people need help to visualise their new home when buying 'off-plan'. There may be opportunities to encourage links between graphics/digital businesses to meet that need.

There are business opportunities across a range of sectors to produce products and services that are relevant to and suitable for older people, bearing in mind. The Virtual Reality studio at University of Wolverhampton can help businesses to develop their products and UCS may be able to bring together business and older consumers to aid product development.

## Suggested Actions

**Sector Analysis**

Health and social care is an "enabling" rather than priority sector for Marches LEP, so independent in-depth research may aid understanding of the sector.

**Sector Forum**

As a major and growing employer, better intelligence about the sectors needs are important. Consider setting up a periodic forum to meet with key sector representatives, recognising that both operators and developers have a role.

**Partnership Working**

Develop links with and between the sector and University Centre Shrewsbury to investigate the potential for and to drive collaboration.

### 3.4.7 Food and Drink

**Key issues**

- Increasingly sophisticated use of digital technologies within the sector
- Impact of government legislation and regulation
- Impact of global food trends
- How Brexit settlement affects migrant workers

#### 3.4.7.1 Sector Overview

Food and drink is the UK's largest manufacturing sector, larger than automotive and aerospace combined and a key ingredient of the nation's wider economic activity, buying two-thirds of what British farmers produce. The sector is also benefiting from a growing appetite for British products overseas – the industry has doubled its exports over the past decade to £12.8bn, with Ireland, USA and France as its top export markets. At the same time, it has cut CO2 emissions by almost a third since 1990 and reduced the salt content of food by 10% in the past five years[34]. Interesting facts from the London Stock Exchange:

- 96% -The proportion of food and drink businesses that are micro - to medium-sized
- £580 million -The value of chocolate exports in 2015, making it the biggest export category in the food and drink sector
- £21.9 billion - The sector's gross value add to the UK economy[35].

#### 3.4.7.2 Sector Trends

Wrap's "Food Futures" report 2016[36] makes interesting reading in terms of sector trends. It suggests that food security and climate change are key issues for the sector. Technology presents opportunities for the sector to improve performance through data shared with suppliers and consumers.

Minimising food waste is another key theme for the sector. The WRAP report[37] provides several interesting examples of work being undertaken to utilise food waste; see the diagram and vignette overleaf for an example that is particularly relevant to Shropshire and a further example that shows the potential for cross-sector collaboration and benefit.

Producing foods for a healthy diet is a major issue in the UK, given the pressure obesity and diabetes are placing on the NHS, so stretching targets are being introduced for food and drink companies by UK Government to reduce sugar and so help to address obesity and poor health.

[34] Food and Drink Federation
[35] London Stock Exchange expert commentary
[36] See: http://www.wrap.org.uk/sites/files/wrap/Food_Futures_%20report_0.pdf
[37] Courtesy of Wrap Food Futures report.

## Unlocking value from dairy sector wastes

Cheese whey wastewater (CWW) is a by-product that occurs during the precipitation and removal of milk casein during cheese manufacturing.

**'The dairy industry is a great example of how a se produce multiple pr from a waste strean represented a dispo**

*Nina Sweet, WRA*

2.3 litres waste water are created per kg cheese produced.

It is estimated that a surplus of 13 million tonnes of whey ar the EU each year. Different valorisation options exist (see be with pros and cons. An opportunity exists to extend more a techniques to smaller producers.

### Direct utilisation (Basic valorisation)

*Fertiliser & animal feed*

High salinity levels of CWW can affect soil structure whe land and costs of transport make economics challengin levels must also be within a certain range for use as anir

### Transformation into energy

*Hydrogen and biogas*

Low alkalinity and low hydrogen yields makes energy pr fermentation and anaerobic digestion challenging at the

### Recovery

*Whey proteins & lactose*

There are a variety of applications for whey contents, fr that extend shelf life of products to 'filler' for pharmaceu products and biomaterials e.g. edible film.

### Transformation into products (Advanced valorisation)

*Peptides & glucose*

The fermentation of lactose can produce high value products (e.g. volatile fatty acids) that could serve as a 'chemical platform' for other food and pharmaceutical products.

## From ketchup to cars

*Rice husks and tomato plant by-products used to create bioplastics for use in production vehicles.*

Researchers at Heinz are looking for innovative ways to create new commercial value from the peels, stems, and seeds of the two million tonnes of tomatoes they use annually. The company is exploring converting the waste to bioplastics for use in Ford Motor Company vehicles. Dried tomato skins could become the wiring brackets in a Ford vehicle or the storage bin a Ford customer uses to hold coins and other small objects. Ford are already using food sector by-products, such as rice hulls, as a replacement for talc-based reinforcement in a polypropylene composite.

In terms of consumer trends, Market intelligence agency Mintel[38] predicts that interest in vegetarian and vegan foods will continue to grow, manufacturers may look to reinvent traditional foods such as grains and consumers will want foods that help relaxation at night and food that is nutritious but increasingly needs less time to prepare, so convenience for time-poor consumers will be another theme. Global population growth is predicted to require a 70% increase in food production, so more efficient ways of supplying the dietary protein needed will develop, for example, the potential for commercially farming high protein insects.

Local food and traceability continues to be a major issue. In addition, local anecdotal evidence suggests an increasing emphasis on fresh produce has developed, particularly in relation to brassicas and herbs.

At the cutting edge, a Spanish company has developed a 3D printer – Foodini - that uses edible ingredients to 'print' food, such as cake decorations, pasta and burgers.

#### 3.4.7.3 The Sector in Shropshire

The rich agricultural lands of Shropshire have given rise to a burgeoning food and drink industry, which draws on locally produced materials, including dairy produce, cereals and crops and meats. According to the Marches LEP website:

"*Worth at least £1.9 billion to the Marches economy (2011) and claiming almost a quarter of all Marches manufacturing jobs, this thriving sector employs at least 9,000 people across the region. Of these, 43.2% are employed in meat processing; 17.8% in dairy; 12% in beverages and 8.9% in processing and preservation of fruit and vegetables (2013 data).*

*The significance of the Marches' food and drink sector to the rest of the nation is also significant: in 2013, 11.9% of the UK poultry came from the Marches, along with 9.1% sheep and lambs, 7.1% beef, 6.8% dairy cattle, 4.2% goats and 2.5% pigs.*

*Supporting the food and drink sector in the Marches is a highly skilled workforce and many strong family businesses. The region also boasts a well-established supply chain in food packaging, manufacturing, processing, materials innovation testing and development and specialist logistics and preservation solutions."*

According to the Invest in Shropshire website:

"*At 23.4%, Shropshire's Food and Drink Supply Chain contribution to GVA is well above the national average of 15.4%. Müller, Arla Foods, Palethorpes Pork Farms Ltd, Kerry Group and Ornua Ingredients UK are among the many leading global brands that have made their home here, alongside a host of high quality niche producers.*

[38] http://www.mintel.com/press-centre/food-and-drink/mintel-announces-six-key-global-food-and-drink-trends-for-2017

*"Other leading operators include Gro-Continental, one of the UK's leading international storage and distribution companies, Cold Move, Alcontrol Laboratories and Culina Logistics.*

*"Consequently Shropshire has a well-established supply chain in food packaging, manufacturing, processing, materials innovation testing and development, as well as specialist logistics and preservation solutions. The Food and Drink Sector accounts for 22% of all employment in Shropshire (approx. 4,400 people), well above the national average of 14.3%. Specialisms: Shropshire – dairy products and meat processing*."

Tenbury Wells-based Orchard Valley Foods was recently named as one of the London Stock Exchange's 1000 Inspiring SMEs.

The sector in Shropshire combines both large multinational and small local producers. As noted in the Tourism section of this report, for artisan producers, food festivals are an important showcase for their products, taking place annually in several of the county's market towns.

The sector is highly regulated and extremely competitive. According to research conducted in 2015 for Marches LEP:

*"Red tape, price pressures and issues around staffing are some of the key sticking points that impact on the potential growth of the region's food and drink businesses….Legislation and regulatory issues were regularly cited, as were issues around pricing, especially those exacerbated by margin-conscious supermarkets, whilst the recruitment and retention of trained staff was also regularly seen as a challenge to those in the sector.*

*"In fact, 72% of those citing these issues went as far as to claim they were definite barriers to growing or diversifying their businesses, along with issues around funding and the high level of investment often required to realise growth."*

Brexit poses particular challenges for the sector, in the form of uncertainty about EU nationals being able to continue working in the UK, because of tariffs that might be imposed in European export markets and because it is as yet unclear how the UK government plans to replace the Common Agricultural Policy.

#### 3.4.7.4 Premises Implications

In our 2013 report, we reported that there was a lack of small size start-up spaces for food and drink businesses. The units developed at the Food Enterprise Centre were too big to be considered suitable for most start-ups. In addition, the sector is broad, with differing equipment requirements, so trying to guess what specific equipment companies might want is risky. For this report, consultation suggested there is still a dearth of suitable units and providing generic premises that can be modified for food and drink use is probably more important. Reportedly, food and drink businesses have also experienced problems in locating the type of grow-on space that this study addresses.

Some of the food trends mentioned have definite premises implications, for example, supplying herbs and vegetables as fresh as possible will require temperature controlled storage facilities.

We suggest that more research is required to analyse the likely growth plans of local businesses in the sector to ascertain to what extent expansion premises is an issue but this should not take place in isolation from other emerging support mechanisms, such as the Marches LEP Knowledge Cluster Group.

To assist with expansion premises in Southern Shropshire, LEADER[39] provides a useful source of funding for small businesses seeking to develop new products and processes, including adaptation of buildings for sector SMEs and for farm diversification. The Marches Building Investment Grant may also be a useful source of funds county-wide but finding the right building to refurbish remain a challenge.

The results of the current Marches LEP sector research project may reveal further needs.

#### 3.4.7.5 Typical Support Needs

The sector shares many of the generic support needs of small and growing businesses. In addition, the increasing cross-over of sectors, for example, the use of digital technologies within the industry will create new challenges for small business owners and new training needs for their staff. This is evident from the type of businesses that have accessed the new Manufacturing Growth Programme, which includes food and drink companies.

In our previous report, we suggested that more sector-specific support was needed, potentially by networking companies to the advisory services of Harper Adams and Heart of England Fine Foods (HEFF). Whilst that idea has not been progressed, not least because HEFF has closed, other support mechanisms are developing, for example, the £1m RD Park Dairy Centre at North Shropshire College's Walford Campus. It is hoped the development will help to educate farmers of the future, and includes two new parlours, feeding and handling facilities, two loose houses and a holding area to help achieve just that. Additional facilities can be found at the Regional Food Academy and the Food Innovation Centre at Harper Adams University and the Reaseheath Food Academy at Nantwich, as well as the Dairy Processing Facility and NoWFOOD[40] at the University of Chester.

In September 2016, a new group was launched to support the food and drink manufacturing sector in the Marches region. Companies looking to share knowledge, grow their supply chain and learn more about new technologies in the sector were invited to join the Knowledge Cluster group for a monthly fee, supported by the Marches Growth Hub Telford & Wrekin, Enterprise Telford and the University of Wolverhampton[41].

[39] See: https://www.shropshire.gov.uk/southern-shropshire-leader-programme/
[40] See: North West Regional Food Research Development Centre: http://www.nowfood.co.uk/
[41] See: http://www.marchesgrowthhub.co.uk/news/new-group-launched-to-support-food-and-drink-manufacturing-sector

In the face of these various initiatives, the Council will not wish to duplicate activity, so monitoring the progress of the Knowledge Cluster Group in particular and then helping with issues within its control e.g. premises availability, may be the best course of action.

## Suggested Actions

**Working with Established Mechanisms**

Ensure the Council receives feedback from the Marches LEP's Food and Drink Knowledge Cluster Group and helps to address any issues raised by businesses.

### 3.4.8 Creative and Digital Industries Sector

**Key issues**

- Amorphous nature of sector
- Business support needs may differ widely
- Securing intellectual property
- Fostering collaboration

3.4.8.1 Sector Overview and Trends

This sector is growing fast and is recognised for its transformational potential.

The UK is a leading nation in digital innovation and its achievements are well publicised, disguising the fact that it is still a relatively small sector. The most recent figures published by the ONS shows that only 7% of UK national output comes from the digital sector and only 9% of businesses form part of the digital workplace. This is smaller than often expected because of the publicity it achieves[42].

The report from the House of Commons Business Innovation and Skills Select Committee on the Digital Economy, published in July 2016 found that, while the Government had a clear commitment to support the sector and had a number of initiatives, the approach lacked a coherent strategy and was piecemeal. The Select Committee again recognised the problems that poor broadband service creates for many businesses of all types across the country and the particular difficulties this can have for innovative businesses in the digital sector.

It also found that, while there was an increasing level of digital skills in all ages of the workforce, especially school leavers, there is no real agreement on what the basic understanding of tech/ICT should be when leaving school.

The digital sector is not identified as a key sector in its own right in the Marches SEP but there is no reason why local business leaders should not work with the local education and

[42] Source: the Digital Catapult web site

training providers to develop an understanding of what is needed in line with the Government's thinking in the Green Paper.

The West Midlands is a strong region for digital technology and there is an important cluster of businesses in the county and in the Telford area which we investigated in our last report. In our research it has been encouraging to find that there have been enquiries for premises in Shropshire from some established digital technology companies seeking to expand and locate in Shropshire.

The West Midlands Combined Authority estimated the number of sectoral jobs within its boundaries in 2013 at 72.3K, forecast to grow to 101.5K by 2030. In terms of value, the 2013 figure was £3.9 bn., estimated to grow over the same period to £11.2 bn., some 186%[43].

The sector is potentially amorphous, so a definition helps to set the context. Although there is some debate about its accuracy, most people use the 2001 DCMS definition of creative industries:

"…those industries which have their origin in individual creativity, skill and talent which have a potential for job and wealth creation through the generation and exploitation of intellectual property."

This includes the sub-sectors:

| | | |
|---|---|---|
| Advertising | Architecture | Arts and Antiques |
| Crafts | Design | Designer Fashion |
| Digital and ICT | Music | Publishing |
| Radio and television | Software | Computer Games |
| Electronic Publishing | Video, Film | Photography |
| Visual and Performing Arts | | |

3.4.8.2 The Sector in Shropshire

In 2010, a report by Ecotec[44] estimated there were nearly 2100 VAT-registered companies employing nearly 7000 people in this sector in Shropshire, representing 6.37% of businesses, nearly 1% below the national average. There were thought to be many more businesses that are below the VAT threshold. Many of these were home-based and in the design and craft sectors, relying on the local marketplace. The report provides a complete breakdown of the sector at that time, with recommendations for interventions for different sub-sectors.

Although an economic analysis was conducted in January 2017[45,] it is difficult to estimate current numbers in the sector because traditional analyses do not group the relevant SIC codes together. Marches LEP has recently commissioned research to analyse each of its key sectors, so it is hoped that this will produce an up-to-date breakdown. It may be useful to

[43] See: https://westmidlandscombinedauthority.org.uk/media/1205/wmca-sectoral-analysis-2016.pdf
[44] "The Future of the Creative Industries in Shropshire 2010" Ecotec.
[45] "Shropshire Economic Profile" Shropshire Council January 2017

agree a set of SIC codes for future analyses to make it easier to conduct statistical analysis and comparisons.

We have researched actions being taken by other LEPs and organisations outside Shropshire and combined that information with our local consultation work to compile an overview of premises and support issues facing the sector.

#### 3.4.8.3 Premises Implications

*Collaborative working space* - in the 2010 analysis by Ecotec, one of the requests from the local sector was for more collaborative workspace that would help facilitate the creative process. Elsewhere, this need for spaces where software and other designers can network and collaborate is a common theme.

At the same time, the lack of a local University specialising in the sector was seen as a major barrier to its development. Notwithstanding that Birmingham, Warwick and Coventry Universities are now well-established as centres of activity and excellence for the sector, Shropshire has an opportunity through UCS and by developing stronger links with University of Wolverhampton, to address this requirement, for example through the establishment of innovation lab and incubator space managed by the two universities. It should also be borne in mind that a different dimension is potentially created for agri-tech industries which are increasingly reliant on software to run 'intelligent' farming systems, so a relationship with Harper Adams is also important. In fact, the cross-cutting nature of software development, which affects every business sector, may be worthy of further research to see if there are other opportunities e.g. for spin-out businesses.

#### 3.4.8.4 Typical Support Needs

*Recognition* - Ecotec's report suggested creating a stronger brand for the collective sector in Shropshire. Seven years later, it is still extremely difficult to find online reference to the importance of the county's – or the Marches'- creative sector –whereas other LEP areas have developed their plans. For example, see West of England LEPs Creative Skills Hub initiative[46], Derby and Nottingham's Creative Digital Sector Action Plan[47] or Coventry and Warwickshire's Games Industry Strategy for Growth[48]… and there are many more examples.

*Connectivity* - inevitably, Superfast Broadband is a 'must-have' for this sector. Shropshire continues to roll out its Connecting Shropshire plan but, as discussed, earlier, connectivity issues are often a perception, even if not a reality, so increasing marketing about the programme and providing easy physical solutions for business premises in more remote

[46] See: http://www.westofenglandlep.co.uk/news/new-creative-skills-hub
[47] See: http://www.d2n2lep.org/key-sectors/creative-and-digital-industries
[48] See: http://ukie.org.uk/sites/default/files/cms/docs/Games%20Industry%20in%20Coventry%20and%20Warwickshire%20-%20A%20Blueprint%20for%20Growth.pdf

areas, including making use of the Better Broadband Subsidy Scheme49, might help overcome negative perceptions.

*Intellectual Property/Data Security* – protecting product development by registering Intellectual Property is seen as a national challenge for the industry. Marches LEP offers advice but we could not find details of local financial support equivalent to Worcestershire or GBS LEPs' Proof of Concept or Cyber Security programmes.

*Financial Support and Advice* – because of the importance of the sector to the UK economy, there are national programmes of support that the Council could play a role in promoting locally. For example, Innovate UK runs a programme of funding calls for different sectors to receive support for high risk development projects. Creative United is a CIC funded by the Arts Council that offers finance and business support to the creative sector, museums and libraries.

## Suggested Actions

### Sector Analysis

Review the findings of Marches LEP sector analysis for Creative and Digital to identify key businesses in the county

### Sector Forum

Hold a 'round table' event with business owners to confirm key issues with the aim of producing a sector plan that includes tasks to raise awareness of relevant existing support and introduction of new programmes e.g. help with registering intellectual property

[49] See: http://connectingshropshire.co.uk/basic-broadband-subsidy-scheme/

### 3.4.9 Under-Represented Business Sectors

Other business sectors are not officially within scope of this report but we felt the following observations may be useful. The Council is determined that as well as supporting the business sectors that are strong in the economy it should not overlook the needs of under-represented sectors. **Professional and business services** fall into this group.

Professional and business services cover a very diverse range of activities and are delivered by many different types of business and are used by businesses of all categories and sizes. Solicitors, accountants, architects and a range of different consultants deliver professional and business services as do Chambers of Commerce, business groups, trade and professional associations and others.

Among those delivering these services will be established firms that may have been trading for many years, often with premises that are well known in towns and cities such as solicitors and accountants. As society and business has changed many of these have also changed, often forming associations with other similar or associated practices, not necessarily in the same town, in order to enable them to offer a wider and more in depth service to clients. Information and communication technology has both facilitated and accelerated the pace of change for many of these firms.

A point sometimes overlooked, is that increasing use of digital technology has made changes to the demand for and use of, space by many businesses not just business and professional services. Increasing use of digital communications and document storage reduces the demand for space for storage of paper files. Clearly many paper documents are, and will continue to be, used but for many firms the amount of space required for the storage of paper records has significantly diminished.

Digital technology has also enabled the huge growth in home working both for people who spend some of their time in the physical premises of their employers and those that work exclusively from home. Many of the people that lost their jobs in the public and private sectors have established themselves as small businesses in an enormously diverse range of fields, including professional and business services, many also working from home. For many of these small, one person professional home workers, business growth may not be identified with acquiring premises but may be enabled through the development of a network of associates linked through the power of IT in a virtual company.

**Supporting the Sector**

The diversity of this sector and its geographical spread across the County in offices and homes makes it difficult for the Council to identify its needs for both premises for growth and general support. A mechanism to assist the council in this way which would itself be a support to the sector may be found in the neighbouring county of Worcestershire.

A group of professional firms in Worcestershire got together because they recognised that they lost business to firms in Birmingham often because local businesses did not know where the local professional advisors were and also because there is a perception that the bigger firms in the bigger city must be more likely to have the range of services needed. To overcome both of these problems those offering business and professional service in Worcestershire were invited to join together to plan a campaign of action.

It was decided to take action to raise the profile of the sector in the County; a web site was established, now linked to the County Council's economic development site Business Central. (Search for Advised in Worcestershire or go to http://www.business-central.co.uk/advised-in-worcestershire ) The group also engage in other activities to enable them to raise their profile.

The same issues are likely to be affecting professional and business service providers in Shropshire. If the Council was to take the initiative to bring businesses together to discuss their issues it may encourage some joint action by the businesses concerned which would be mutually supportive as has happened in Worcestershire. The Council would be a facilitator of the process and the actions would be taken by the businesses concerned.

This could benefit the Council because the firms involved would hopefully welcome the positive action by the Council and it could be used as a forum for the Council to discuss its objective of supporting under represented services. Through discussion, the Council would gain information from the sector as to what it needed to help it to grow. Additionally, the Council would have a mechanism and industry contacts that would enable it to make more informed assessments of the sector's likely need for grow on space and other property requirements.

REPORT ENDS

## Appendix One List of Consultees invited to contribute to the Study

| Name | Organisation |
|---|---|
| Julia Delaney | Continuum |
| Charles Howell | Cooper Green Pooks |
| Sue Clark | Evans Easy Space |
| Mike Goodall | Federation of Small Business |
| Katarina Halkova | Flex Space |
| James Evans | Halls, Shrewsbury |
| Prof. Ralph Early | Harper Adams University |
| Gill Hamer | Marches Local Enterprise Partnership |
| Manager | McCartneys, Ludlow |
| Research Director | Robert Jones and Agnes Hunt Orthopaedic Hospital |
| Research Director | Royal Shrewsbury Hospital |
| Richard Sheehan | Shropshire Chamber of Commerce |
| Jane Ayres | Shropshire Council |
| Liam Cowden | Shropshire Council |
| Chris Hill | Shropshire Council |
| Caroline Reid Smith | Shropshire Council |
| Amy Farley | Shropshire Growth Hub |
| Admin Officer | Shropshire Rural Community Council |
| Toby Shaw | Towler Shaw Roberts |
| Paul Kirkbright | University Centre Shrewsbury |
| Nigel Babb | University of Wolverhampton |
| Prof. Ian Oakes | University of Wolverhampton |

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*BDO: West Midlands Report January 2016*
*BE Group (for Shropshire Council): 2011 Employment Land Review and Sites Assessment*
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*British Chambers of Commerce: Trading with Europe - Business Survey results 2016*
*Colliers International: UK Industrial and Logistics Market Barometer, Spring 2017*
*Coventry and Warwickshire LEP: Games Industry in Coventry and Warwickshire A Blueprint for Growth (BOP Consulting)*
*Demos: Making the most of Brexit by Tom Startup and Claudia Wood, March 2017*
*Ecotec: The Future of the Creative Industries in Shropshire 2010*
*Harper Adams University: AgriEPI Centre Leaflet*
*Harper Adams University: Estate Strategy 2010 - 20*
*Innovas: Evaluation of the environmental and Low Carbon Sector in the Marches LEP area and Worcestershire: December 2015*
*Institute of Housing: "New approaches to housing for older people" 2014*
*IPPR: Shropshire Economic Analysis Report*
*London Stock Exchange Group: Companies that Inspire 2017*
*Manufacturing Growth Service: Marches Services Impact Report April 2017*
*Marches LEP: Building Investment Grant EOI and Guidance*
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*Marches LEP: SEP Final Version 2014*
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*Midlands Engine: Briefing Note, April 2016*
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*Midlands-Engine: Strategy-2017*
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## Appendix C – Manufacturing Growth Service Support to businesses in Marches LEP area

Manufacturing Growth Programme

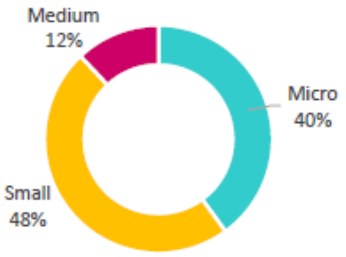
ECONOMIC GROWTH SOLUTIONS

# Economic Growth Solutions Impact Report

The Marches

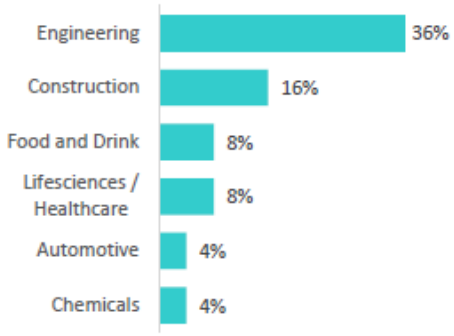
October 2016 – February 2017

### SME Size



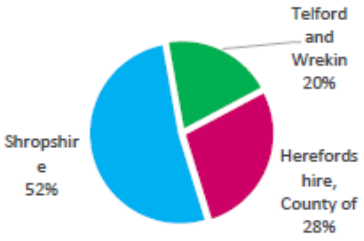

### Support Received

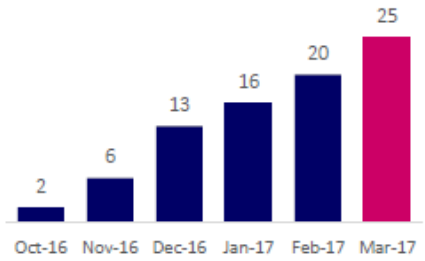
### SME Sectors




### Areas for Improvement Identified

### Split by Local Authority




### Manufacturing Growth Programme Grants Offered