

Economic Development-The Year Ahead 2018-2019

1. Introduction

The West Berkshire Economic Development Strategy 2013-2018 will continue to provide the focus for Economic Development activities under the 4 key priorities that are intended to help grow our economy:

1. Work with partners to ensure that local skills meet the needs of today's business and work environments.
2. Promote West Berkshire as a good location for business, leisure, learning and life.
3. Become more business friendly and encourage new investment and business retention across all sectors,
4. Actively support sustainable rejuvenation and regeneration projects in key locations.

However, it is likely that the Economic Development Strategy will be refreshed during the coming year to better reflect the priorities of Thames Valley Berkshire Local Enterprise Partnership's (LEP) Local Industrial Strategy. This will be produced by March 2019 in line with Government requirements.

This report looks at the year ahead for the economy at national, regional, Thames Valley Berkshire and local levels.

2. UK Economy Forecast for 2018-19

2.1 National

The National Institute of Economic and Social Research (NIESR), Britain's oldest independent economic research institute, has revised its growth forecast upwards for the UK economy and is now predicting GDP growth of 1.9 percent in both 2018 and 2019. However, this forecast in 2018 is considerably more optimistic than that of other forecasters, such as the World Bank and the International Monetary Fund, which recently predicted UK 2018 growth rates of 1.4 percent and 1.5 percent respectively.

The unemployment rate is expected to remain close to its equilibrium rate of around 4.5% in the short term although wage growth is likely to remain low, resulting in falling real wages. Inflation is forecast to fall towards the Bank of England's 2 % target over the next year, easing the squeeze on households' finances and house price inflation is seen to average just over 3 %. In addition, business investment and exports are likely to be supported by the pickup in global growth. Interest rates are set to rise slowly.

Technological innovations will also create new jobs, from online website designers and Artificial Intelligence (AI) specialists to those involved in designing, supervising, repairing and maintaining robots-this is reflected in STEM becoming STEAM.

Additionally, it is likely that efficiency improvements from automation will allow consumer prices to be kept lower than would otherwise be the case, leaving more money to be spent on other goods and services, which will in itself create additional human jobs.

Service sector growth should remain modest but positive in 2018-19, while manufacturing will retain momentum after ending 2017 strongly. However, the construction sector has fallen back due to the weakness of commercial property investment and this looks set to continue in 2018. Consequently a number of national estate agents are merging.

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Housing and utilities will continue to consume a rising share of household budgets reaching over 30% by 2030 compared to around 27% in 2017. Financial services and personal care are also likely to take a rising share of total consumer spending, while the share of spending on clothing, food, alcohol and tobacco, and transport will tend to decline in the long run.

Looking to 2019, the “*UK Economic Outlook*”¹ says that real consumer spending growth is expected to slow from around 1.8% in 2017 to around 1.1% in 2018. Subsequently consumer spending is projected to edge up to 1.3% in 2019, but has the potential to return to around 2% trend growth on average in the 2020s assuming a reasonably favourable Brexit outcome and productivity gains from automation.

The lower pound and strong global growth is continuing to boost UK exports. As some of the recent resilience in imports growth wanes, net trade should therefore deliver a more meaningful boost to the economy. The National Institute for Economic and Social Research expects the Bank of England to raise UK interest rates in May and to do so every six months thereafter, in an expectation of continuing normalization of lending and borrowing conditions.

Top 10 regions for GVA growth until 2020²

Region	GVA growth 2017 – 2020
South East	2.0%
West Midlands	1.8%
East Midlands	1.7%
East of England	1.7%
South West	1.7%
Wales	1.5%
North West	1.5%
Scotland	1.5%
Yorkshire & Humber	1.4%
North East	1.2%
UK average	1.8%

¹ PwC UK Economic Outlook

² EY

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Recovering strongly from the uncertainty in the immediate aftermath of the EU referendum, the UK property investment market has seen a surprise surge in transaction volumes, particularly from overseas investors. Investment volumes are likely to remain robust at around £60bn for 2018 as a whole. However, considerable uncertainty still exists around Brexit. It appears that some progress was made during the fourth round of Brexit negotiations in September 2017 but there are still significant challenges to overcome.

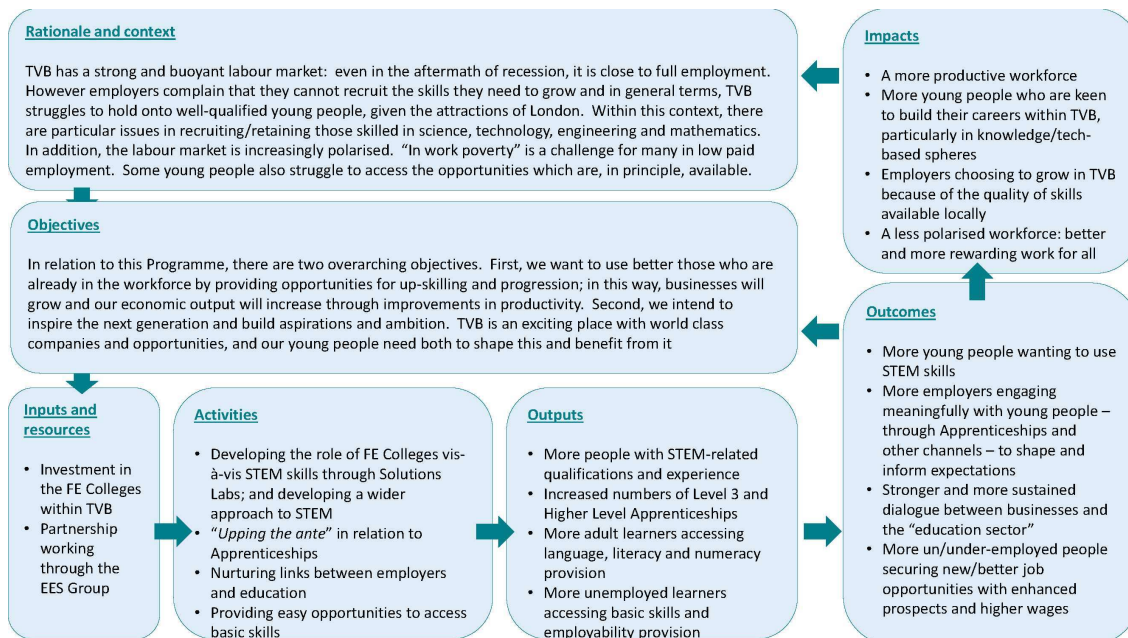
2.2 South East England

The South East economy is valued at over £240 billion GVA. The South-East is forecast to deliver the highest economic growth among the 12 UK regions in 2019 after an already strong performance in 2018, according to PwC's "*UK Economic Outlook*." Report. Economic growth in the South East in 2018 is forecast to tie with London for top place with growth of 1.6%, but should edge up to around 1.7% in 2019, while London and overall UK growth will remain at around 1.6%. London has outperformed other UK regions for most of the past 20 years but its growth rate looks set to fall back to close to the UK average in 2018-19. The North and Midlands are benefitting from stronger manufacturing growth recently.

3. Key initiatives from TVBLEP for 2018-2019

3.1 Skills and Employment

Thames Valley Berkshire Local Enterprise Partnership will be releasing an updated version of its “Skills Priority Statement” which looks at addressing the gap between what skills employers want and need and those that young people currently have and will need to have in the future. Please see the diagram below:³



The government’s Industrial Strategy offers a strong foundation for businesses and educationalists to jointly explore innovative ways in which science, technology, engineering and mathematics (STEM) skills can be increased and improved across TVB. The LEP is currently developing a Berkshire Local Industrial Strategy which will be published in March 2019.

For the Thames Valley area, the leading sources of employment growth are: information technology (+26,000), professional services (+13,000) and support services (+5,000). There are predicted to be a high number of job openings, with jobs in relatively high concentration in the area (2012 to 2022) in jobs relating to digital technologies, life sciences, sales, creative industries and education. Many employers, particularly SMEs, need more people to specialise in STEM subjects.⁴

³ “Gearing Up for Stem Skills Strategy and Action Plan Thames Valley Berkshire” University of Warwick, Institute for Employment Research on behalf of Thames Valley Berkshire Local Enterprise Partnership and Adviza 31 March 2017

⁴ As above

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3.2 Smart City Berkshire Cluster Project

This initiative is wider than simply smart transport initiatives and could make improvements in areas such as the Environment, Assisted Living and Energy-all of which will help to boost the economy and be a catalyst for economic growth. The Internet of Things (IoT) will be a key element of the project. A Smart City could be defined as a sustainable city with the addition of a technological element. The project will adopt the BSI published guidance on Smart Cities.

There is £1.73 million of capital funding from TVBLEP and Reading Council is the accountable body. £750,000 of this funding will be used as a Challenge Fund that will be open to businesses. There will be 2 levels-one which will include small businesses. Applicants will have to develop solutions for things for which there is a demonstrable need. The project will run for 2 years. This is a Berkshire-wide initiative but currently does not include Slough and RBWM.

In the Huawei UK Smart Cities Index 2017, Reading was ranked 17/20. There are already good links with Oxford and Cambridge Smart City initiatives. Reading already has a Low Power Network in place and uses this for parking sensors that provide data to users about the availability of disabled parking spaces in Reading. LoRa, an open communications platform, will be managed by Reading Council. SIGFOX, a more commercial application, is also being considered and £225K of the funding has been allocated to this.

A series of workshops with key partners, stakeholders and businesses will be held until September 2018, at which point the funding scheme will be opened for applications from the business community.

3.3 Berkshire Local Industrial Strategy (BLIS)

TVBLEP is working on its BLIS which will be published by March 2019. The BLIS will replace the existing Strategic Economic Plan. The Strategic Narrative has already been completed and endorsed by the LEP Forum and Berkshire Leaders' Group. The BLIS will be further developed with input from partners and key stakeholders. The BLIS will enable the LEP to compete for a share of the UK Shared Prosperity Fund, which replaces the Local Growth Fund.

4. Key strategic economic development Initiatives from West Berkshire Council 2018-19

Examples of significant economic development initiatives are shown below:

4.1 Berkshire Smart City Cluster Project

West Berkshire will be a key partner in the project. The project will deliver a smart city platform across West Berkshire, Reading, Bracknell and Wokingham benefiting residents and employees and encouraging economic development. A communications platform will provide a low powered wide area network (LPWAN), the platform for the Internet of Things and will open up opportunities for the low cost deployment of smart devices for business, developers and local authorities to use.

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At this time, specific details of initiatives and applications are unknown but solutions could come forward for areas such as assisted living, energy efficiency, environmental schemes, transport and technology. . All of these areas will help to support economic growth in Berkshire. In autumn 2018 businesses will be invited to bid for funding to develop smart city applications and initiatives

4.2 Market Street Redevelopment with Grainger Plc

The work will start with the bus station which will be completed by December 2018. In early 2019, Grainger will come onto the Market Street site and start with the demolition of Highfield Avenue and the building of the multi-storey car park. Work on the south side of the station will continue.

4.3 Newbury Railway Station Improvements

Interchange improvements will be implemented on the south side of the station throughout 2018. The plans to enhance and upgrade the station buildings is in response to anticipated increases and demand for travel and car parking from the Market Street and Sandleford Park developments. The scheme will deliver start-up incubator business units within rail land to the south of the station, two new retail outlets on the station, new and enhanced cycle facilities, ticket hall and waiting areas, along with a new multi-storey car park, station forecourt and a pedestrian/cycle link to the town centre.

4.4 Newbury King's Road Link Road

The King's Road Link Road will be a new direct link between the Hambridge Road industrial area and the A339. The scheme will support housing delivery and significantly improve access to a key employment area.

4.5 Sandleford Park

This scheme will provide additional access to Sandleford Park, a development site that will deliver up to 1500 houses. The scheme will also unlock land for a new primary school. Planning applications from the two developers involved were received by West Berkshire Council in April 2018.

4.6 National Cycle Network (NCN) Route 422

NCN Route 422 will join a number of economic centres across Berkshire as part of a new NCN. The route will start in Newbury and follow the A4 to Thatcham. Theale, central Reading, Wokingham and then to Bracknell, ending in Ascot.

5. Summary

To conclude, 2018-19 will be an exciting year for economic development in Thames Valley Berkshire and West Berkshire will continue to be an even greater place to live, work and learn for all our residents and those who work here and choose to locate their business here.