

CHELTENHAM ECONOMIC STRATEGY: *DEVELOPING CHELTENHAM AS A BUSINESS LOCATION*

**Final Report: options, ideas
and recommendations**

For Cheltenham Borough Council

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1.INTRODUCTION

1.1 ABOUT THE PROJECT AND THIS REPORT

This report summarises the analysis and findings of a consultancy project undertaken to support the provision of an economic strategy for Cheltenham, focusing on the Borough's role as a business location.

Chapter 2 summarises the findings from the three main components of the work underpinning this project, namely the Cheltenham Economic Assessment; Cheltenham Employment Site Review and the Key Findings from the Consultation Meetings and Interviews.

Chapter 3 outlines a number of key priorities and objectives for Cheltenham's economic strategy and goes on further to discuss potential delivery ideas and options to help achieve these.

Accompanying this report are four separate appendices, detailed as follows:

APPENDIX A: LOCAL ECONOMIC ASSESSMENT

APPENDIX B: SITE ANALYSIS AND EMPLOYMENT LAND REVIEW

APPENDIX C: CONSULTATION FINDINGS

APPENDIX D: TECHNICAL NOTE ON CALCULATING ANNUAL GROSS VALUE ADDED (GVA) GROWTH RATES

2. KEY FINDINGS FROM EVIDENCE AND POLICY

2.1 INTRODUCTION

This chapter summarises the findings from the three main components of the work underpinning this project, namely the Cheltenham Economic Assessment; Site Analysis and Employment Land Review and the Key Findings from the Consultation Meetings and Interviews.

More detailed findings are detailed in the four separate appendices accompanying this report.

2.2 LOCAL ECONOMIC ASSESSMENT

In December 2014, an assessment of the Cheltenham economy was made, using the latest available socio-economic data. The key findings are outlined as follows.

INTRODUCING THE CHELTENHAM ECONOMY

CHELTENHAM IS A SIGNIFICANT CONTRIBUTOR TO THE GLOUCESTERSHIRE ECONOMY

With a current resident population of 115,900 and an economy that supports 72,000 jobs, Cheltenham has light industry, including food processing, aerospace, electronics and tourism businesses. The Government's electronic surveillance operation Government Communications Headquarters (GCHQ), renowned for its 'doughnut-shape' building, is in Cheltenham. Vertex Data Science, GE-Aviation, Endsleigh Insurance, Archant, Nelson Thornes, UCAS (Universities & Colleges Admissions Service), and Spirax-Sarco Engineering all have sites in and around Cheltenham.

Cheltenham's annual rate of economic growth (0.7 per cent) has lagged significantly behind national average growth rates (1.9 per cent), whereas growth rates for Gloucestershire (1.8 per cent) are more in line with the national average. More positively, the rate of jobs growth has exceeded the national average, and both economic growth and jobs growth are forecast to be strong over the next 20 years.

Cheltenham remains a significant employment centre within the County of Gloucestershire and this is forecast to continue. Gloucestershire's productivity rate lags behind the national average and this gap is widening.

Cheltenham is a large spa town and borough in Gloucestershire, England, located on the edge of the Cotswolds. The town was awarded a market charter in 1226, and has been a health and holiday spa town resort since the discovery of mineral springs there in 1716.

Cheltenham is also renowned for sporting and cultural events. It is the home of the flagship race of British steeplechase horse racing, the Gold Cup, the main event of the Cheltenham Festival held every March. The town hosts several festivals of culture often featuring nationally and internationally famous contributors and attendees, Cheltenham Literature Festival, Cheltenham Jazz Festival, Cheltenham Science Festival, Cheltenham Music Festival and Cheltenham Food & Drink Festival.

Cheltenham is a regional shopping centre, home to department stores, and centres including the Regent Arcade and the Beechwood Shopping Centre, together with a number of independent retailers.

ECONOMIC PERFORMANCE AND OUTLOOK

ECONOMIC PERFORMANCE

It is estimated that Cheltenham's economy generated between £2.4 billion and £2.7 billion in economic output in 2011. Forecasters predict that this could grow to between £3.5 billion to £4.8 billion by 2031.

Long-term economic growth has been slightly slower-than-average in Gloucestershire at 1.8 per cent per annum growth from 1997 to 2011 compared to 1.9 per cent for England. Economic growth in Cheltenham has been significantly below average, at 0.7 per cent per annum over this period. The average across the three economic forecasters (Cambridge Econometrics, Experian and Oxford Economics) suggests that economic growth in Cheltenham is expected to accelerate to 2.4 per cent per annum over the next 20 years.

JOB GROWTH

Cheltenham supported 72,000 jobs in 2012. Between 2000 and 2012, 6,000 net new jobs were created in Cheltenham – a rate of jobs growth (9.1 per cent) that is higher than the average for England (7.6 per cent), but lower than Gloucestershire County as a whole (which grew by 40,000 jobs, or 14.1 per cent).

22 per cent of all Gloucestershire's jobs are located in Cheltenham. Cheltenham remains a significant employment centre within the County of Gloucestershire and this is forecast to continue. Gloucestershire's productivity rate lags behind the national average and this gap is widening.

Gloucester experienced a very low rate of jobs growth over this period (3.1 per cent), as did Bristol (0.7 per cent). Conversely, the rate of jobs growth was very high in Cotswold (27.0 per cent), Stroud (22.4 per cent), Tewkesbury (21.6 per cent) and Worcester (18.8 per cent). Contractions in total jobs were experienced in Swindon (-4.2 per cent) and Birmingham (-0.4 per cent).

PRODUCTIVITY

Productivity rates in Gloucestershire are below average and declining relative to comparator areas and England averages. In 2012, workers in Gloucestershire produced £26.00 of Gross Value Added (GVA) for every hour worked. This was below the England average (£28.30). Between 2004 and 2012, Gross Value Added (GVA) per hour worked rose by 16.3 per cent – which was lower than across England (23.4 per cent).

INDUSTRY TRENDS

PUBLIC ADMINISTRATION, EDUCATION & HEALTH

Public Administration, Education & Health is the largest contributor to economic output and one of the fastest forecast growing sectors in terms of total economic output. It includes Public administration and defence, Education, and Health.

Health is one of the largest employment sectors and comprises Human health activities, Residential care activities, Social work activities without accommodation. Employment has grown fast in hospital activities but declined in social work activities without accommodation. The third largest increase in number of business units in the borough has been in Health. A large increase in health employment is forecast.

There is a large concentration of employment in Defence. The strongest employment growth has occurred in this sector. GCHQ have recently completed their plans for subcontracting and supplier arrangements for the next 5-7 years, and is a desire for increased activity and employment from subcontractors to be based, ideally, in or around Cheltenham. GCHQ also runs a small business innovation programme, which is a mechanism for procuring innovative new solutions from technology and innovation based SMEs. There is an interest in developing specialist business incubation facilities for the cyber security cluster

BUSINESS SERVICES

Business Services is the third largest contributor to economic output and the fastest growing sector in terms of economic output. Additionally, Business services is one of the fastest forecast growing sectors in terms of economic output and a large increase in employment is forecast.

Within Business Services, Business Administration and Support Services is the largest employment sub-sector. Employment has grown strongly in 'other business support activities' and general cleaning of buildings but declined in legal and accounting activities. There is a high concentration of employment in Business Administration and Support Services, particularly 'other business support activities' and tour operator activities.

The Professional, Scientific and Technical sector within business services has the largest number of business units and has experienced a large increase in business units.

RETAIL

Distribution, Transport, Accommodation and Food (which includes retail) is the second largest contributor to economic output and one of the largest employment sectors. It has the second largest number of business units, but has experienced a decline in the total number of business units.

INFORMATION AND COMMUNICATION

The Information and Communication sector includes Publishing activities, Motion picture, video and television programme production, sound recording and music publishing activities, Programming and broadcasting activities, Telecommunications, Computer programming, consultancy and related activities, Information service activities.

The Information and Communication sector has experienced strong growth in economic output and this is forecast to continue. It has the second highest increase in number of business units. However, there has been a large fall in employment in telecommunications and printing and reproduction of recorded media.

PRODUCTION

Production (which includes manufacturing) is an important contributor to economic output, but there has been decline in output in the sector and total business units over recent years. The highest concentrations of production employment in the town are found in the manufacture of machinery for metallurgy and manufacture of other taps and valves. A further decline in employment forecast.

ENTERPRISE AND INNOVATION

ENTERPRISES AND ENTREPRENEURSHIP

With 5,185 enterprises in 2012, Cheltenham has a strong and growing business base, with stronger than average long-term growth in the number of enterprises (11.7 per cent growth between 2004 and 2012) and a higher than average number of enterprises per head of the working age population (68 per 1,000 working age people in Cheltenham compared to a national average of 60).

This strong growth in Cheltenham's business base has been driven by stronger business survival rates. The start-up rate is similar to the national average.

Business survival was badly affected by recession but has begun to recover. Between 2007 and 2010, the percentage of businesses surviving for one year fell from 97.5 per cent to 88.2 per cent. However, survival increased significantly in 2011, to 93.2 per cent.

The self-employment rate in Cheltenham is slightly lower than average. The mismatch between a higher-than-average enterprise rate and lower-than-average self-employment rate in Cheltenham could be explained by people living outside Cheltenham setting up businesses within the district.

FOREIGN OWNERSHIP OF BUSINESSES

The presence of foreign-owned businesses is less significant in Cheltenham and Gloucestershire than nationally. With foreign-owned businesses representing just 1.0 per cent of all businesses but 23.0 per cent of all turnover, foreign-owned businesses in Cheltenham are very large.

INNOVATION

Businesses in Gloucestershire are more likely to compete on design, quality and innovation than the national average. In 2013, 32 per cent of Gloucestershire businesses stated that demand for their goods/services were not at all price dependent or slightly price dependent compared to the England average of 28 per cent. 38 per cent said that they often/very often lead the way, compared to the England average of 35 per cent. 65 per cent said they competed in a market for high/premium quality goods and services, compared to the England average of 59 per cent.

Gloucestershire's rate of patenting, at 11.1 patents per 100,000 residents, is higher than the England average of 9.4. The number of patents originating from the county is on a downward trend, mirroring the national picture.

Cheltenham has a lower-than-average base of science, research, engineering and technology professionals working in the borough (representing 5.4 per cent of all workers) but a stronger-than-average presence of information technology and telecommunications professionals (2.5 per cent of all workers).

PEOPLE

COMMUTING

Cheltenham is an area of net in-commuting and is a popular work location for people living across Gloucestershire. 44,600 people live and work in Cheltenham (i.e. 77 per cent self-containment), 13,600 commute out from Cheltenham to work outside the borough; and 31,400 people commute into Cheltenham who reside outside the borough.

In 2012, there were 0.95 jobs for each working age resident. This was much higher than the Gloucestershire (0.85) and England averages (0.79). Cheltenham had the joint highest jobs density in Gloucestershire while only one peer area had a higher jobs density (Oxford at 1.08)

HEADLINE LABOUR MARKET TRENDS

A high percentage of working age people living in Cheltenham are economically active (79.8 per cent in June 2014) and employed (74.8 per cent). However, participation in work has fallen since the onset of recession and Cheltenham has been more sharply affected than across Gloucestershire and England. Between June 2008 and June 2013, the percentages of working age people who were economically active and employed fell in Cheltenham. Economic activity fell from 84.8 per cent to 78.2 per cent while employment fell from 79.8 per cent to 73.8 per cent.

POPULATION

Population growth has been slower than average in Cheltenham while long-term growth in the numbers of working age people has been slower than in other peer employment centres. Between 2003 and 2013, Cheltenham's population grew by 6.0 per cent. This was slower than growth across Gloucestershire (6.4 per cent), England (7.9 per cent) and most comparator areas. Within Gloucestershire, growth ranged from 2.7 per cent in the Forest of Dean to 11.7 per cent in Gloucester.

In 2013, there were 75,600 people of working age living in Cheltenham. Growth in the number of working age people in Cheltenham (6.8 per cent) was similar to the England average (6.9 per cent) between 2003 and 2013, much faster than growth across Gloucestershire (5.0 per cent) but slower than growth in Gloucester, Swindon, Oxford, Birmingham, Bristol, Cardiff and Worcester.

Population growth in Cheltenham is expected to accelerate over the next decade, driven by growth in the number of people of retirement age. Further analysis conducted for the Joint Core Strategy suggests that population will increase by 17,400 between 2011 and 2031 compared to the official projection of 15,600 (2012-based Subnational Population Projections published in 2014). This further analysis suggests that the working age population will continue to grow at 0.5 to 0.6 per cent per year from 2013.

BENEFITS CLAIMANTS

Cheltenham has a low percentage of people (1.3 per cent of all working age residents) claiming unemployment benefit, although trends in numbers of unemployment benefit claimants suggest that the labour market has tightened for Administrative & Secretarial and Sales & Customer Service jobs. The number of out-of-work benefit claimants has fallen in Cheltenham over the past ten years, particularly among lone parents.

QUALIFICATIONS

Cheltenham has an impressive qualifications profile, with a high proportion of workers (42.4 per cent) holding a degree level qualification or above. Qualifications rates have improved dramatically over the past ten years. The improvement will in part be due to older people (who are generally more poorly qualified) falling out of the 16-74 population over the ten-year period, but also signifies that demand for high-level skills has grown in the area.

Despite workers in Cheltenham having a high qualifications profile, there is a lower percentage of people working in the district in high skilled occupations while average earnings are also below the national average.

OCCUPATIONS

Despite Cheltenham's impressive qualifications profile, the skills profile of Cheltenham's workforce – in terms of occupations undertaken – is poorer than average. In 2011, Cheltenham had a similar percentage of people working in the most highly skilled jobs (accounting for 28.7 per cent of employment in Cheltenham compared to 28.3 per cent nationally). By contrast, Cheltenham had a very high percentage of people working in administrative & secretarial occupations (18 per cent compared to 11 per cent nationally).

A large number of in-commuters to Cheltenham work in administrative & secretarial occupations. There was also in-commuting by people working in sales & customer service occupations, caring, leisure & other service occupations, and elementary occupations. At the same time, there was out-commuting by people working in professional and associate professional occupations and process, plant & machine operatives. This ties in with Cheltenham having a weaker qualifications profile on a workplace basis than a residence basis.

The number of people working in professional jobs in Cheltenham has increased sharply (by +4,700) over the past ten years but there has also been a fall in numbers working in other high-skilled jobs such as managers and senior officials (-2,500) and associate professionals (-2,200).

EARNINGS

The average earnings of people working in Cheltenham are below the national average. Average earnings have also grown slowly and have fallen over the past two years.

In each year between 2008 and 2014, the average earnings of Cheltenham's residents have exceeded the average earnings of Cheltenham's workers. This reflects residents' stronger qualifications and occupational profile.

PLACE

HOUSING MARKET

House prices in Cheltenham are higher than average (9 per cent higher than the national average) and have grown rapidly over the past 15 years – by 213 per cent compared to 206 per cent in England. However, house prices have not increased markedly since the recession in 2008/09.

Housing affordability has declined rapidly over the past 15 years and housing is relatively least affordable for those on the lowest incomes.

HOUSING STOCK

In 2013, there were 53,430 dwellings in Cheltenham. Growth in Cheltenham's dwelling stock has been slightly lower than average – at 6 per cent between 2003 and 2013 compared to 9 per cent for Gloucestershire and 8 per cent for England. New additions to the housing stock fell sharply during and following the economic downturn but are recovering at a stronger rate than across England.

HOUSING TYPE, SIZE AND TENURE

A number of indicators show that the requirement for smaller housing in Cheltenham has increased: a fall in average household size, an increase in the number of one-person households, a large increase in the number of dwellings with 1-3 rooms, and an increase in the number of flats.

A higher than average percentage of people in Cheltenham live in private rented accommodation (accounting for 23 per cent of households in 2011 compared to 18 per cent across England) and there has been a large increase in the private rented sector in the district. Growth has likely been driven by the inaccessibility of owner-occupation due to both high house prices and unfavourable mortgage lending criteria.

HOUSEHOLD PROJECTIONS

Provision of new dwellings in Cheltenham has kept pace with household formations over the past 20 years. On average, 277 new homes were built every year between 2001 and 2011.

Average household size is projected to decrease with a sharp increase in the numbers of households with one person or one couple and with no dependent children. The number of new households is expected to increase most among older populations and fall among those aged 34 and under.

TRAVEL TO WORK

Compared to the England average, a greater share of people working in Cheltenham travel short distances to work and travel on foot or bicycle, reflecting the urban nature of the district.

There has also been a large increase in the numbers of people travelling to work on foot and working from home over the past ten years.

With regard to roads within or that pass through Cheltenham, the fastest average speeds are found on the A435 while the slowest (and therefore most likely congested) route is the A4013. Average speeds have declined, and hence congestion has likely increased, on most routes. The largest declines in speed have occurred on the following roads:

- A4013 northbound – a 15 per cent decline in the average speed during the weekday morning peak over the past three years
- A40 eastbound – a 9 per cent decline over the past three years
- A435 southbound – an 8 per cent decline over the past eight years
- A46 northbound – a 5 per cent decline in the past year

2.3 REVIEW OF EXISTING STRATEGIES AND DOCUMENTS

OTHER DOCUMENTS, EVIDENCE AND STRATEGIES

The main documents, evidence and strategies were examined with regards to economic development, land use planning and premises in Cheltenham. To a significant degree, this review highlighted information gaps – some of which became the focus of the economic assessment and consultation exercises.

This section summarises the main findings from this assessment. The documents reviewed are listed below:

- Cheltenham Economic Strategy 2007
- Cheltenham Local Plan 2006
- Employment Land Review 2007 by NLP
- Retail and Leisure Study 2006
- Development Briefs 1999 2000 2001
- Annual Monitoring Reports February 2013
- Cheltenham Draft Vision and Objectives December 2013
- Council Asset Management Plan
- Non Residential Land Monitoring Report August 2014
- 2014-2015 Corporate Strategy and Action Plan
- Urban extension definition study 2010
- Joint Core Strategy Broad Locations Report 2011
- Employment Land Review 2011
- Settlement Audit 2011
- Review of Business Parks 2011
- Strategy Assessment of Land Availability 2013
- Joint Core Strategy Strategic Allocations Report October 2013
- Economy Paper 2013
- Assessment of Updated Economic Forecasts 2014
- Joint Core Strategy Viability Assessment Study Stage 1 June 2014
- Joint Core Strategy Submission Document (to be published on 20th November 2014)
- Local Economy Update Paper June 2014
- GFirst Strategic Economic Plan 2014
- The Growth Deal 2014
- EU Structure and Investment Funds Strategy 2014
- Regional Spatial Strategy, 2008

The main findings from this document review are summarised as follows:

IMPROVING THE INTELLIGENCE THAT CAN INFORM LAND USE AND SPATIAL STRATEGIES, AND THE APPRAISAL OF POLICY OPTIONS

Much of the relationship between the economic priorities and the spatial strategy is currently expressed as a calculation of Broad B Class employment land and the physical capacity and environmental constraints of sites. The rationale about the scale of the ambition and the economic benefits and impacts of strategic allocations could be strengthened.

- The objectives and targets would appear to flow from economic forecasts. The next step would be to articulate approaches such as options appraisal; cost-benefit analysis; economic impact appraisal; technical or market feasibility.
- The 'economic case' for certain priorities – it would be helpful to detail what actions are likely to make the biggest impact on revenues, jobs, retention etc.
- Delivery plans appear to be as yet undeveloped. Maybe this is an advantage – they may offer resources/funding streams that can be shaped and tapped into. Indeed there is evidence to suggest that sole commercial development is not viable and would suggest why there is a longstanding loss of employment land since 1991.
- It would be helpful to articulate the why and how of current proposals and ambitions - which would involve asking some incisive questions about the options for delivery/actions and the likely benefits.

MORE CLEARLY ARTICULATING THE ASPIRATIONS AND RATIONALE FOR ECONOMIC PRIORITIES

There is a lot of discussion about the aspirations and sectoral trends facing the local economy in the future, and the next step could be to explain or develop options for how this will be achieved. A strategic assessment of strengths or gaps with respect to what industries or businesses need from a location in terms of commercial imperatives will also help inform land use planning and the management of strategic assets.

It will be useful, in any future prioritisation or project development to take the following steps:

- **Articulate the economic outcomes and benefits.** E.g. explaining the logic chains or causal connections – such as how innovation initiatives can be progressed to impact upon productivity.
- **Appraising the wider impacts of each a strategic site upon the existing town and district centres.** Currently, each site is assessed individually against environmental and policy constraints together with physical capacity. More consideration needs to be made of how these sites either work individually or comprehensively together against economic or social criteria for the locality or the sub area. For instance – to what extent does a strategic urban extension have upon the existing function of the town?
- **It would be useful to build on what CBC has delivered well.** For example, it would be useful to document the work and progress of the Cheltenham Development Task Force (CDTF), or the work to redevelop the railway station - and the benefits that these activities might further stimulate. When doing this, it is also useful to articulate outcomes and impacts – e.g. jobs, businesses, and turnover. As well as providing reputational benefits, this kind of collateral helps to strengthen future project funding bids to government and other funding sources.

SECTORS

It would be useful to answer a number of critical questions relating to the sectors/industries which are expected to underpin demand for land and premises, or which will be responsible for shaping the local economy in the future:

- **What are the major strengths of businesses / industries located in Cheltenham** (particularly business imperatives/commercial rationale)? What are the gaps and/or weaknesses in terms of location factors?
- **There are statements such as 'businesses unable to find suitable premises'** in Cheltenham from Local Enterprise Partnerships documentation. Useful to gain more detailed understanding – e.g. are these valid statements? If so – what were the types of business activities / types of sites and premises sought?
- **There are statements regarding FE/HE roles in promoting growth in certain sectors** (e.g. creative). It will be useful to understand the specific commercial potential from FE/HE institutions – e.g. where there is R&D activity, commercialisation, enterprise support and entrepreneurship.

RELEVANCE TO MARKET AND COMMERCIAL DEMAND

- Whilst the argument for 'quality of location/ life' is strong and persuasive for Cheltenham, it is useful to ask what other factors are important for the borough as a business location. 'High value' businesses (that operate in national and international markets, and differentiate their products and services on the basis of quality, customisation and innovation) tend to be informed by commercial and market imperatives when making location choices for their premises and activities. These tend to include access to customers, suppliers, inputs, workforce and assets (e.g. natural assets or transport infrastructure). If we can answer the question "what are the prime advantages that exist or can be strengthened in relation to business location?" – This will help to shape an appropriate strategy and response.
- **Viability of commercial development** – the property market, and the investment climate which supports property investment has changed markedly over the past 5 years. It will be insightful and helpful to understand this in the context of Cheltenham via interviews/ surveys of property market agents and interests.
- **How the borough is perceived by potential inward investors** will help us to understand what kinds of sectors are currently looking to invest and what kinds of locations they seek, and what investors have displayed interest in Cheltenham and surrounds as allocation.

2.4 CHELTENHAM SITE ANALYSIS AND EMPLOYMENT LAND REVIEW

This report provides an assessment of the current employment premises and economic land position of the Borough and an assessment of its potential economic futures to inform the preparation of the Borough Plan. It is informed by existing evidence and intelligence, analysis of recent developments and stakeholder consultations. The recommendations and issues identified seek to provide a series of potential implications and action points for the Borough Council for spatial planning, land allocations and property development. It forms part of the evidence base for policies and proposals in the Cheltenham Borough Plan and the emerging Economic Strategy Review.

POLICY BACKGROUND

JOINT CORE STRATEGY

The Joint Core Strategy defines Cheltenham as a key location for growth along the M5 corridor in support of the Strategic Economic Plan. The levels of economic growth on the strategic site at North West Cheltenham amounts to 23.4 hectares whilst additional strategic growth is proposed at Gloucester and Tewkesbury. This level of growth supports the implementation of in excess of 12,000 jobs between 2011 and 2031 and forecasts suggest that this will represent an increase of 2.4 per cent Gross Value Added (GVA).

In addition, the policies recognise that additional land will be allocated for employment uses through the Cheltenham Borough Plan. This includes identifying locations for major office development which will encourage the growth of the economy and provision of high-quality employment in sustainable locations.

GLOUCESTERSHIRE STRATEGIC ECONOMIC PLAN AND GROWTH DEAL

The Strategic Economic Plan (SEP) was submitted to Government in March 2014 and includes wide ranging ambitions and includes commitments to deliver 33,900 jobs between 2015 and 2021 and a Gross Value Added (GVA) average annual increase of 4.8 per cent.

The North West allocation at Cheltenham is identified as a key strategic site as part of the Growth Zone objective. The Strategic Economic Plan seeks an additional 127 ha of land adjacent to J10 in NW Cheltenham as employment land with some housing. The Strategic Economic Plan anticipates that the site will support approximately 6,500 new jobs producing an annual Gross Value Added (GVA) of £139m per annum and compelling leverage to make J10 of the M5 a long overdue 4 way junction. This in turn would provide an estimated £2.7m journey time savings. As a mixed use development it could provide circa 1,100 additional houses. Although there is no current transport budget allocation to improvements to the M5 junction 10 the Strategic Economic Plan notes that upgrading will be promoted through the Highway Agency's Route Based Strategy process.

The Growth Deal for Gloucestershire will see £62.5m investment which was confirmed in the Autumn Statement. Its key objectives are to improve skills particularly in renewable energy, nuclear and engineering; improve business support through the Growth Hub focussing on the University of Gloucestershire; and funding to support major transport interventions in support across the M5 Growth Zone and Gloucestershire more broadly.

GROWTH AMBITIONS

Both the Joint Core Strategy and Strategic Economic Plan seek to improve the attractiveness of Cheltenham as a business location, to improve productivity through developing key sectors, improving skills, unlock infrastructure and transport constraints and providing business support. Although there is a clear commitment in both strategies to ensure Cheltenham is a prosperous town, there are distinct and different views on the scale of Gross Value Added (GVA) ambitions, short term job growth and the scale of the strategic employment site needed at Junction 10 to deliver the stated growth commitments.

EMPLOYMENT SITE EVIDENCE

The evidence and analysis compiled since 2007 presents a consistent view on the existing portfolio of sites and premises within Cheltenham borough re-iterating market strengths but also key issues that need to be addressed. The most recent site assessment in 2014 provides a current insight into the profile of 20 sites across the borough. The issues identified by the reports and new site analysis can be summarised as:

- Cheltenham has a large quantum of office space but is not enough to meet demand nor necessarily fit for purpose;
- The offer is mostly concentrated in small size office space in regency and older buildings (80 per cent are less than 500 sq m);
- A number of structural weaknesses in the portfolio of available premises exist, particularly in terms of a lack of any business or enterprise parks.
- Existing industrial sites should be upgraded to improve market attractiveness and offer. Upgraded sites will be likely to improve the Gross Value Added (GVA) performance and attractiveness to higher value manufacturing and engineering, finance and business services.
- The new analysis highlights the continued lack of quality A grade office space with Jessop Avenue being the only current development opportunity within the town centre for new office space.
- The analysis also highlights the number of significant and important businesses on single occupier sites where there are constraints to the potential expansion of those businesses at that location.
- Attractive locations for business are highlighted as Neptune Business Park and properties at Jessops Way.
- There are relatively low vacancy rates within industrial site even though some developments of average or poor quality. This could reflect the lack of availability of alternative premises.
- The report also notes the ageing stock, particularly those premises that no longer meet modern business needs and single occupier sites that are adversely affected by amenity or access constraints.

PROPERTY MARKET VIEWS

STAKEHOLDER VIEWS

Consultation with 25 stakeholders was conducted in December 2014 and January 2015. Stakeholder consultations particularly those insights from the Property agents and businesses are key to understanding the constraints and opportunities in the borough. The key issues are identified in the next section in this report, and are described in more detail in Appendix C.

Stakeholders confirm the attractiveness of Cheltenham's strong 'Quality of Life' Brand which is seen as a key asset in retaining existing businesses in the area. However, there is a lack of business premises and sites to offer expanding businesses or to those wishing to newly invest in borough. Current rental values do not support speculative development and therefore without enabling development any new development is likely to be bespoke design and build only.

VACANCY RATES

VALUATION OFFICE DATA

Valuation office data suggests that there is an increase of 114,000 sq m of office stock between 2002 and 2012 which is higher than the national average. However, over the same period there has been a reduction in industrial stock reflecting national trends. As identified in the 2007 report, the overall stock is smaller than average with 80 per cent of office premises less than 500 sq m. Notably, office stock has a lower rateable value than the values seen in Bristol, Oxford and Bath.

VACANT SPACE

CLG returns suggest that the number of vacant hereditaments in Cheltenham is reducing, reflecting a greater confidence in the market, the loss of buildings to alternative uses and the reuse of redundant buildings. Assessing CBC data on void space in Cheltenham suggests that 11 per cent of office space, 9 per cent of industrial space and 5 per cent of retail space is vacant at December 2014.

It is considered that a vacancy rate of 7.5 per cent of the total office and industrial stock is an indication of a relative 'market equilibrium'. Over or below that level represents a relative under or oversupply in the market. Some commercial commentators suggest the market equilibrium can be as low as 5 per cent for offices and as high as 10 per cent for industrial and warehousing stock.

Data suggests there is broad market equilibrium for industrial premises and a higher than expected rate of office voids which would suggest an oversupply of office accommodation. However, the analysis from the sites assessment 2014 suggests that there are long term vacancies in those office and industrial properties that no longer provide suitable modern accommodation that meets the needs of business.

EMPLOYMENT LAND MONITORING

An analysis of published monitoring reports was completed to provide information on how much employment land and floor space is in the development pipeline and issues arising from the most recent employment land activity. The table below sets out the total completions and commitments position by B Class at 31st March 2014.

Since 2010, there is a distinct and clear loss of B1a (office) floor space amounting to a net loss of 2,239 sq m and 1.87 hectares. This includes sites that were described as very good in the 2007 Employment Sites Study. There is also demonstrated losses in A2 – professional services to residential in those areas where stakeholders have suggested there is a strong market demand for offices for professional services within the town's historic core. This demonstrates the strength of the residential values relative to commercial values.

A large proportion of B1 commitments in this chart are bespoke development for existing Cheltenham clients. The most significant B1a commitments are for expansion of existing business: two offices buildings at GCHQ (11,933 sq m) and 1,933 sq m of B1a and 3,760 sq m of B1c development at Spirax Sarco. Together these commitments represent over 50 per cent of the pipeline supply. It is important to recognise that such commitments are not available as part of the open market stock.

FIGURE 2.1: COMPLETIONS AND COMMITMENTS POSITION BY B CLASS (HECTARES AND SQM FLOORSPACE) AT 31.03.14

	Completions 2010 - 2014		Commitments 1 st April 2014		Total	
	net sq m	net ha	net sq m	net ha	net sq m	net ha
B1a	-2,239	-1.87	17,404	5.81	15,165	3.94
B1b	35	0.04	-138	-0.12	-103	-0.08
B1c	-1,359	0.55	2,760	3.6	1,401	4.15
B2	1,124	2.52	-8,418	0.57	-7,294	3.09
B8	-243	1.12	-476	0.45	-719	1.57
Total	-2,682	2.36	11,132	10.31	8,450	12.67

Source: CBC Annual Monitoring Reports and Non Residential Land use monitoring reports

There are two distinct issues that should be addressed. Firstly, planning consents which result in the loss of B class land are under construction, particularly in town centre locations. This is a particular concern as stakeholder consultations suggest that there is office demand for both town centre and out of centre locations. Secondly, those sites with planning permission for gains in B Class land are still awaiting commencement and implementation.

In considering these assessments it important to note that Cheltenham Business Park is not included into the total sites at 31st March but a planning application for a business park of 16,800 sq m gained planning permission in December 2014.

The outstanding commitments for B2 Class Industrial development provide for a total gain of approximately 1,000 sq m. However, existing commitments, if developed in full, would result in the loss of 9,400 sq m B2 floor space. Therefore, the consequent net loss in B2 floor space as a result of existing planning consents would amount to a net loss of 7,400 sq m.

ECONOMIC FORECASTS

Economic forecasts are useful in providing a range of scenarios that can inform but not determine the appropriate economic target and strategy for the Local Plan. The forecast models represent trend based growth, based upon a series of economic assumptions about the performance of the economy overtime. No account or adjustments are made to reflect policy or market interventions or indeed constraints which may impact upon the economic output of the borough. Importantly these forecasts do not consider the impact of any public or private intervention or policy adjustments that might be made including interventions proposed by the Strategic Economic Plan. Any impact on these forecasts would need to be robustly tested and examined and new forecasts and scenarios produced.

The submitted Joint Core Strategy was informed by econometric projections which were obtained in 2014 from Experian Business Strategies Limited (Experian), Cambridge Econometrics (CE) and Oxford Economics (OE). These forecasts also informed the Assessment of Updated Economic Forecasts by Nathaniel Litchfield and Partners dated April 2014. Cheltenham is forecast to show the strongest net employment growth from 2011 to 2031 in all three model outputs. The lowest net increase in jobs for Cheltenham is 10,500 ranging to a total net increase of 15,300 jobs over the 20 year period.

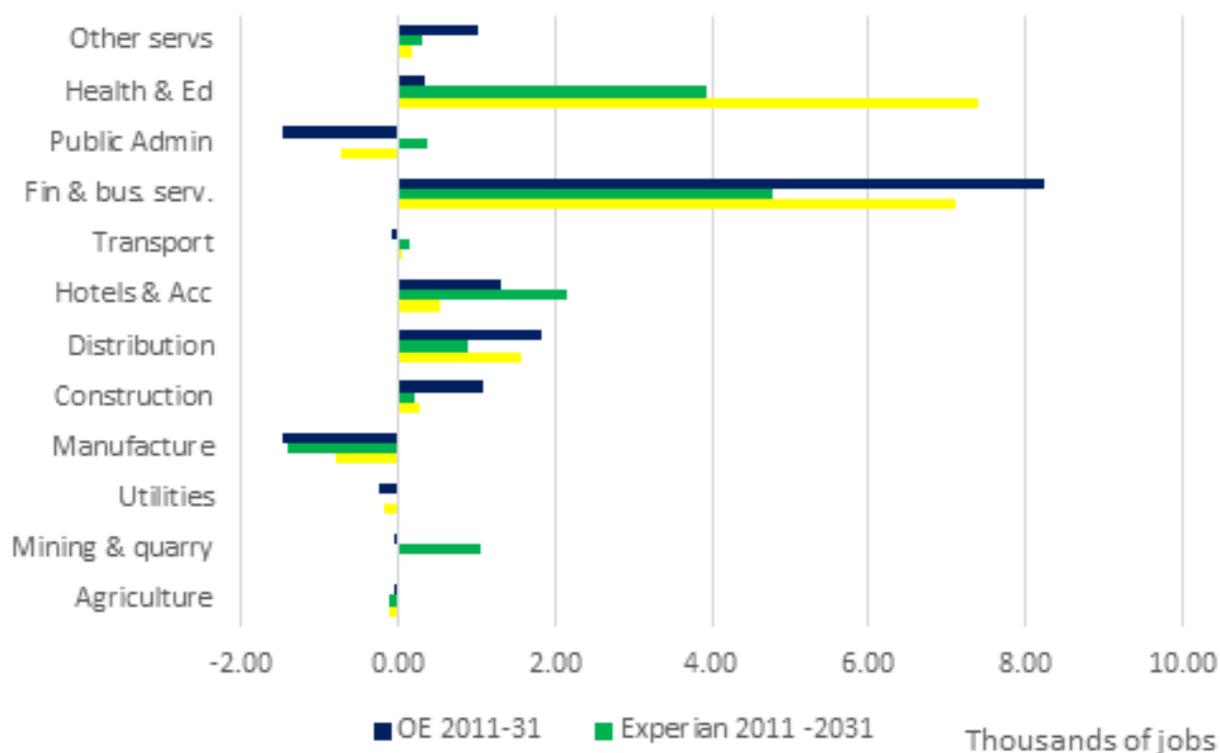
There are significant differences between the three forecasts. Forecasts are built up using a combination of a national view on the prospects for the different sectors of the economy and local data on the demand for services and the performance of different sectors. Therefore there are different views taken by each forecast model and as a consequent the outputs can be very different

The Joint Core Strategy was submitted to the Government on 20th November 2014 and makes provision in Policy SP1 to support 28,000 new jobs between 2011 and 2031 in the three authorities. Supporting text to Policy SP1 at para 3.1.11 states that local employment need has been independently assessed which identified the potential to create around 21,000 to 28,000 jobs to support a thriving economy. The Joint Core Strategy evidence states that the assessment has been further informed by the GFirst's emerging Strategic Economic.

The Strategic Economic Plan sets a very ambitious job growth target of 33,900 jobs between 2015 and 2021 for Gloucestershire which represent a substantial increase over and above the three economic forecasts produced for the Joint Core Strategy. This report does not comment upon the validity of these assumptions and does not calculate the potential land requirements associated with this level of growth. However, the extent of the Strategic Economic Plan ambition is very significant and further analysis and intelligence will be required to understand the policy and spatial implications of achieving such growth, a review of Joint Core Strategy is built into policy SD6 – Green Belt, which details the treatment of land identified as safeguarded for longer term development needs. The Joint Core Strategy authorities are working with the GFirst LEP in advance of the examination of the Joint Core Strategy on this issue, a statement of co-operation is being prepared.

FIGURE 2.2 COMPARISON OF TOTAL EXPERIAN, CE AND OE JOB GROWTH 2011 TO 2031

Comparison of job growth projections by sector: 2011-31



The baseline evidence provided by NLP based upon the Cambridge Economics, Oxford Econometrics and Experian forecasts 2014 indicates that between 34 and 60 hectares of employment land should be provided over the plan period, which would reflect recent economic growth forecasts. The land requirement to meet the requirements of the economic forecasts are calculated for Cheltenham in the table below using the NLP calculations and assumptions.

FIGURE 2.3: LAND REQUIREMENT FOR CHELTENHAM FOR EACH OF THE FORECASTS USING THE BASELINE ASSUMPTIONS USED IN THE ASSESSMENT OF UPDATED ECONOMIC FORECASTS 2014

	Experian		Cambridge		Oxford	
	2011 to 31	plus 5 year	2011 to 31	plus 5 year	2011 to 31	plus 5 year
B1	12 ha	15 ha	15 ha	19 ha	18 ha	22 ha
B2	-12 ha	-16 ha	-6 ha	-7 ha	-11 ha	-14 ha
B8	4 ha	5 ha	3 ha	3 ha	6 ha	7 ha
Total	16 ha	20 ha	18 ha	23 ha	24 ha	30 ha

Source: (Gloucester, Cheltenham and Tewkesbury JCS Assessment of Updated Economic Forecasts April 2014), Cambridge Economics and Oxford Economics 2014.

CONCLUSIONS - EXISTING LAND AND SITES ANALYSIS

The report highlights existing issues which are relevant to in considering the suitability of the existing supply and the issues necessary to consider in reaching conclusions and recommendations on land allocations. These issues can be summarised as follows.

OFFICE AND INDUSTRIAL ACCOMMODATION

Cheltenham still has the highest quantity of office stock in the County. Valuation Office data suggests that there has been an increase of 114,000 sq m or 46 per cent increase in rateable office floor space over the 10 years between 2002 and

2012. In comparison, using the same data analysis from VOA, Gloucester has seen a 35,000 sq m or 12 per cent increase in its rateable office stock since 2002 whilst Tewksbury has seen an increase of 48,000 sq m or 77 per cent in its rateable office stock. Nationally rateable office stock has increased by 10.9 per cent. However, the rateable value of office stock is significantly below the national average and other regional competitors.

Stakeholder engagement demonstrates a sustained demand for office and business accommodation across the borough building upon Cheltenham's brand for 'Quality of Life'. However, the stock is under stress with a constant and longstanding loss office and industrial sites and premises. The stock is ageing. Vacancy rates for office, retail and industrial are falling although rental levels still fall below the levels required to support speculative property development.

Property agents argue and the evidence would suggest that 80 per cent of office stock comprises accommodation which is less than 500 sq m and in particular there are no quality sites or premises for business expansion, relocation or inward investment either within the town centre, edge of centre or greenfield sites. Agents highlight a particularly deficit in the portfolio for those looking for premises or sites that can accommodate in excess of 1,000 sq m.

BUSINESS PARKS

The 2007 Employment Land Review identified a structural gap for Business Parks in the employment land and premises portfolio. This gap has not been resolved. Indeed stakeholders and business confirm that locations at Gloucester and Tewkesbury have stronger Business Parks, offering the type and size of accommodation at competitive prices to meet business needs. Importantly these sites are noted to reflect the profile of the newly investing or expanding business. There is a clear and distinct identified risk that this trend will continue and Cheltenham will no longer be a location of choice or search for businesses.

RECENT EMPLOYMENT LAND TRENDS

The Employment Land monitoring information shows that a large proportion of B1 commitments are bespoke development for existing Cheltenham clients. These consents reflect a confidence and need of existing firms to consolidate and expand within Cheltenham. However, existing planning consents under construction represent losses of B1a land within the Town Centre whilst commitments to increase B1 space are not under construction - presumably awaiting design and build for specific clients. An example is Honeybourne Place where construction contracts are in place awaiting letting of remaining part of the building.

The loss of B1 office development and A2 professional services development to residential has increased pressure on the existing limited stock. This pressure is likely to continue as regency stock has proved to be very attractive to residential market. This includes locations that property agents confirm are still attractive to professional services businesses around Cheltenham's historic core. In addition, the 2014 sites review highlights older commercial sites with buildings that have been vacant for many years and have amenity and access constraints. Such sites are not attractive to the commercial market and will continue to be considered by the market as attractive residential use sites.

POTENTIAL NEW EMPLOYMENT SITES AND PREMISES

Some high grade sites (Honeybourne Place and Cheltenham Business Park) will become available to help satisfy some of the existing and future market demand. Currently interest is likely to be design and build as current rental values and investment confidence fall short of speculative development interest. The evidence suggests the lack of high quality office accommodation and choice of Business Park opportunities represent a structural gap in the employment land portfolio. There is also very limited business start-up space particularly serviced and supported space for incubator or innovation development. Consideration needs to be given on how to maximise the benefits of existing planned sites and sites that might be available in the short term while other strategic sites are brought to the market over time.

Market views from stakeholders suggest that the requirements for B1 and B8 uses are demonstrated in both town centre and greenfield locations. Therefore, in addition to the strategic site at north west, high quality town centre solutions need to be found, potentially where possible utilising public sector land or interventions to overcome current viability constraints. In addition, this reinforces the recommendations for 'Business parks' 2011 for upgrades, retention and improvements to provide good choice across the borough and make an important contribution towards the local economy.

Building on this point, the potential of the Civic Pride sites, the opportunities for town centre regeneration and the key interventions and priorities to bring them forward to the market are not explicit. The requirements should be pursued seeking to secure as much town centre office space as possible in the short term.

The Joint Core Strategy requires the provision of a 23.4 hectare site in the north west of Cheltenham together with sites for major office development. Cheltenham is one of 3 locations competing across the same economic geography and therefore the early development of the strategic site and resolution of junction improvements at the M5 is critical if it is to meet medium term economic demand. The scale of the strategic employment site and its role as a M5 employment hub will be discussed and decided through the Joint Core Strategy process. However, if the borough is to improve its productivity to meet the ambitions of the Strategic Economic Plan, and importantly to retain and attract higher value businesses the development of choice of strategic high quality employment sites is critical.

Stakeholder consultations suggest that there may be continued expansion of existing firms within B2 classes than forecasts might suggest.

The Strategic Economic Plan seeks to build upon the potential of new industries including nuclear energy sector and therefore if Cheltenham is to secure this development it must provide a compelling and competitive reason for doing so.

The Council, with the consultants have devised a site typology and completed a SWOT analysis against each typology of site. The tables, set out in Appendix B, include the description and characteristics of each site typology and consider the earlier analysis in this report and the stakeholder consultations in reaching view on the strengths, weaknesses, opportunities and threats for each site typology.

2.5 MAIN CONCLUSIONS FROM THE CONSULTATION EXERCISE

Interviews and meetings were held with 25 stakeholders to discuss the opportunities and challenges facing Cheltenham's economy and its positions as a business location. The main findings are outlined as follows.

There were consensus views on four key priorities and needs for the Cheltenham economy

PROVIDING SITES AND PERMISSIONS FOR SUITABLE OFFICE SPACE

If established and start-up businesses in Cheltenham have growth ambitions, there is nowhere for them to move to and grow within the town. Consultees stressed the need for more provision of larger modern, high grade offices and business space and a new business park to compete with the likes of Gloucester. CBC needs to allocate land for growth as a top priority while a strategic fund to buy key sites would be helpful.

ACTIVELY SUPPORTING BUSINESS GROWTH

CBC needs to be more growth-orientated with a stronger vision for change over the next 20 years. There is a general feeling that the major growth sector in the town is the care sector – supporting Cheltenham's ageing population.

Top priorities include allocating land for growth, helping indigenous companies to expand and improving the offer for start-up businesses.

IMPROVEMENTS TO TRANSPORT AND PARKING

Many consultees emphasised the need for transport improvements in and around Cheltenham, including measures to ease congestion – such as building a ring road/northern relief road, better car parking provision, easier customer access for retail businesses, and measures to encourage modal shift from cars to public transport.

SUPPORTING EXPANSION OF GCHQ

GCHQ are actively looking at expansion opportunities for themselves and locations for subcontractors. CBC needs to support GCHQ with the space to expand within Cheltenham and actively influence and support their plans.

HOW DO YOU PERCEIVE CHELTENHAM AS A BUSINESS LOCATION?

Apart from quality of life and Cheltenham's retail offer, consultees were critical of Cheltenham as a business location. Negative feedback included high costs, poor access, congestion, lack of parking, lack of large modern office space, lack of capacity for purpose built accommodation/sites for high end professional and technology businesses, lack of workforce skills, and lack of local Higher Education and Further Education capability suitable for industry/skills needs. Hence there was a lack of compelling business rationale to be there unless serving a customer base, e.g. retail, business to business services, personal services, leisure, hotels, etc.

KEY STRATEGIC PRIORITIES

1. Supporting business growth
2. Proactively support indigenous businesses
3. Develop rapport with key industries

OPTIONS FOR DELIVERY / NEXT STEPS

- Economic development function that is bridge between public and private sectors. Need to get out there and broker relationships, make things happen
- Joint business – local authority – community visioning exercise on locations for business, workforce access and transport solutions – i.e. set bold, sensible and long term vision for the Cheltenham-Gloucester functional economy to make it work for business and residents
- Launch as “managing our future growth, prosperity and quality of life”
- Key account management of remaining large employers including GCHQ.

WHO ARE CHELTENHAM'S MAIN DIRECT COMPETITORS?

Other centres have become much more competitive and attractive, particularly Gloucester, with sites and premises are being brought on-stream. Cheltenham and Gloucester are a functional economic area in terms of business location and labour market. It is therefore easy for firms to move to or locate in Gloucester and tap into workforce and amenities of Cheltenham.

Unaffordable housing and office space is also an issue for attracting and retaining skilled labour and young people within Cheltenham. Rising property costs are pushing out creative and innovative new starts/early stage businesses and young entrepreneurs are moving out to places like Gloucester which have cheaper housing, better sites and premises, and less congestion.

Tewkesbury is a major future competitor with many of the proposed major sites within its boundaries. Hence there is likely to be further denudation of the company base from Cheltenham. Continued business out-migration seems inevitable, particularly as transport improvements and high quality business parks and offices will occur far into the future (20+ years)

Some consultees questioned whether or not company relocation to nearby areas was a big issue. Some saw Cheltenham as having a role as a retirement area with a focus on retail and leisure while Gloucester had the role as the area's business hub. If CBC does not see this as Cheltenham's role, it needs a stronger vision for growth in the town. Others also thought that there was too much competition between Cheltenham, Gloucester and Tewkesbury when they should be working together for growth across the entire area.

HOW HAS THE STRUCTURE OF THE CHELTENHAM ECONOMY CHANGED OVER THE PAST 5-10 YEARS?

Cheltenham's role as a manufacturing location and as a services industry HQ location has diminished. HQs have moved out of the town. While globalisation/restructuring is one major cause, the Gloucestershire area has lack of access to markets and availability of skills or national assets compared to other UK locations. The vision of Cheltenham as being a location for business HQs is highly unrealistic. There are no compelling reasons to do so as it has no distinct supply chain or industry leadership roles or functions that would lead to a compelling reason for a HQ location (e.g. proximity to sector / industry, proximity to HQs of major multiples, in catchment for SEOs).

Other trends have included growth in the retail, leisure and care sectors and GCHQ expansion alongside many other businesses selling their sites and moving out. Some business sites have also been sold for housing.

However, many consultees had seen little overall change as the area is dominated by small businesses and low-paid jobs while few consultees thought that there would be any significant growth in Cheltenham's economy over the next 5-10 years, largely due to lack of development sites.

IMPORTANT QUESTIONS

- Would a corporate HQ actively choose to locate in Cheltenham – if not, why not?
- What has been CBC's response to HQ closure and relocation?
- What will be the implications of a much reduced profile as an HQ location?

2.6 SUMMARY OF FINDINGS AND IMPLICATIONS FOR THE STRATEGY

CHELTENHAM'S ROLE AS A BUSINESS LOCATION

KEY TRENDS

There was much consistency amongst consultation responses, particularly those from the business and real estate community about key trends in terms of business location:

- Stakeholders confirm the attractiveness of Cheltenham's strong 'Quality of Life' Brand which is seen as a key asset in retaining existing businesses in the area
- Cheltenham's role as location for company headquarters has become much reduced. This is partly due to business restructuring, such as mergers and acquisitions – and the resultant closure and relocation of HQs. However, there are perhaps risks that Cheltenham is no longer regarded in the market as a HQ location due to this
- There is insufficient medium-to-large high quality modern office or light industrial space in Cheltenham
- There is a large supply of office accommodation but the offer is concentrated on small premises
- Regency office stock is converted to residential use including those locations where professional services requirements are considered to be strong
- Cheltenham lacks a modern business park, which is something that enquirers and potential business occupants have often sought in terms of business location
- Existing business parks and industrial parks require upgrades and improvements to attract higher value uses
- There is a lack of 'move on' space once a firm grows to 50+ employees or 1,000 sq m
- Current office rental values are slightly too low to attract speculative developments
- There is a limited market for businesses who will custom-build their own properties. Businesses, particularly SMEs, tend to look for existing premises to rent or buy, particularly alongside similar businesses or in business parks (e.g. for higher value added activities). Without developer interest in speculative building, this may make it challenging to develop vacant sites with appropriate planning permission in the short- to medium- term
- Cheltenham is a vibrant retail location, attracting significant footfall and national retail chains as well as boutique specialised retail offers. There has been significant strategic planning and management of the retail core, which has been commended by many stakeholders.
- Growth in future premises/site uses would seem to be focused on the industries/activities of: defence industries (public administration, related to GCHQ); ICT and digital; business and professional services; retail; visitor accommodation; leisure; and light industrial.

SWOT ANALYSIS

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Cheltenham remains a significant employment location – accounting for 72,000 jobs • High skills and education of the resident workforce, who want to stay and live in Cheltenham (low labour turnover) • Defence activities are high skill and involve ICT and digital technology • Significant reputation and presence of professional service activities, including niche activities (e.g. insurance) • Significant employers – Supergroup, GCHQ • Successful retail centre • Quality of life and family safety; built and living environment; quality of schools • Low unemployment • Architectural heritage • Vibrant cultural offer and festivals • Good foundations for future joint working – e.g. Joint Core Strategy has recognised joint planning and development issues between Cheltenham and Tewkesbury. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Current rental values for commercial offices (at £15-16 per sq ft) are currently too low to interest property developers in providing speculative developments • Lack of available premises and land for high quality office and industrial premises • Regency buildings are perceived as mostly unsuitable and costly for office and commercial use • The level of joint working and engagement between public organisations, key employers, real estate sector interests and the private sector generally was welcomed in terms of initiatives such as the Local Enterprise Partnerships and Joint Core Strategy. It was perceived that joint working would need to intensify to ensure progress on delivering economic growth, prosperity and sustaining the borough as a quality business location • Lack of skills provision to meet needs of local businesses • The role and scale of the strategic site at NW Cheltenham needs to be defined. It is a long term proposition whilst a choice of sites are required in the short term to relocate existing businesses
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Growth in defence and public administration industries. Inward investment opportunities from supply chain to GCHQ; innovative growth SME opportunities from GCHQ procurement • Interest from GCHQ in supporting an associated business/technology incubator • Identity as a location for certain industries/niches: brand association with fashion, retailing, cyber-security • Improve the strategic management of land and assets. Take advantage of buoyant property market and recovering national economy to introduce new vehicles and tactics for the management of land and development. • Undervalued town centre sites provide an opportunity for acquisition, land assembly and redevelopment to provide attractive accommodation or offer for business • Provision of development sites at urban extension and J10 site to offer higher value accommodation. 	<p>THREATS</p> <ul style="list-style-type: none"> • There is a business perception that Cheltenham is 'full' and does not support business. It remains a potentially damaging perception, whatever the degree of validation • Limited offer in terms of large modern office space, and move-on space for growing SMEs • Housing and other locational costs • Reliance on sites in Tewkesbury Borough to provide space for growth for Cheltenham means planning decisions and powers are outwith Cheltenham Borough • Lack of certainty or timeline for J10 improvements, which will be required before any development is likely to be considered viable

ISSUES AND RESPONSES THAT EMERGE FROM THE ANALYSIS

ACHIEVING THE GROWTH AMBITIONS

The Submitted Joint Core Strategy supports the implementation of in excess of 12,000 jobs in Cheltenham between 2011 and 2031 and forecasts suggest that this will represent an increase of 2.4 per cent Gross Value Added (GVA). The Strategic Economic Plan (SEP) was submitted to Government in March 2014 and includes wide ranging ambitions and includes commitments to deliver 33,900 jobs between 2015 and 2021 and a Gross Value Added (GVA) average annual increase of 4.8 per cent.

Producing an economic strategy which clearly and unambiguously bridges the aspirations and propositions of both the Joint Core Strategy and the Strategic Economic Plan is beyond the brief of this study. However, to deliver both the Joint Core Strategy targets and the Strategic Economic Plan ambitions will require a significant uplift in economic performance and interventions which deliver transformational change. This report does not comment on the extent to which Gross Value Added (GVA) performance of 2.4 per cent or 4.8 per cent is achievable although both represent a significant increase above Cheltenham's current rate of 0.7 per cent growth per annum. It is important to note that the higher the ambition, the greater intervention or transformational change is needed beyond business as usual.

Both the Joint Core Strategy and Strategic Economic Plan seek to improve the attractiveness of Cheltenham as a business location, to improve productivity through developing key sectors, improving skills, unlock infrastructure and transport constraints and providing business support. Each strategy is seeking to achieve a step change in Gross Value Added (GVA) performance and it is useful to understand the economic mechanisms by which the forecast rates of economic growth (whether that is a rate of 2.4 per cent or 4.8 per cent Gross Value Added (GVA) growth per annum) for Cheltenham might be achieved.

In economic terms, there are several basic factors and processes which lead to economic growth:

- Entrepreneurship – increase in business formation and business activities
- Comparative advantage – can provide better value, quality, sophistication of goods and services compared to other areas
- Factor inputs – labour and capital
- Labour inputs refer to the units of labour and the skills of labour which are used for production
- Capital inputs refer to equipment, land or premises which are used for production
- Capital formation – investment in human (skills) and physical (land, premises, infrastructure, equipment) capital
- Innovation – devising new and improved products, processes and services which are more productive, efficient or effective in delivering output, meeting market demand, or open up new markets

In the context of the Cheltenham economy, there are several assumptions that could be made:

- Human capital is high – there are high skills and qualifications of workforce. Yet productivity is lower than average and is declining. Encouraging and stimulating higher rates of innovation and capital investment will help to increase productivity, and therefore economic growth.
- If productivity and capital investment does not increase markedly, then more labour will be required to achieve the desired growth rates.
- Cheltenham has high rates of entrepreneurship and supporting this will help to stimulate economic growth.
- Providing higher quality premises and sites and space for growth in Cheltenham Borough to accommodate new jobs / business activities will help to encourage economic growth
- Retention and attraction of higher value added activities (which have higher rates of innovation and productivity) will also help to boost growth.
- There is scope to encourage innovation, market growth and productivity increases across all sectors – including retail, leisure and tourism industries which are all significant for Cheltenham. It is worth exploring this in tandem with developing and encouraging technology-related and business and professional service sectors.

It will be important to have an understanding of the types of economic activity, businesses, and premises required to realise or move towards these forecasts and projections in the Joint Core Strategy and the Strategic Economic Plan.

BUSINESS PROFILE AND ADVOCACY

Many businesses, and business interests, expressed the need to improve the profile of businesses and business issues within Cheltenham, and to do this jointly with Cheltenham Borough Council. Additionally, businesses did not seem to fully appreciate the progress being made on development such as those implemented by Cheltenham Development Task Force, the new railway station improvements or the potential from the urban extension. There is a lot of business perception that Cheltenham is 'full', whereas this is not completely valid as there are significant opportunities from the regeneration, conversion and repurposing of existing sites and premises – as well as opportunities from planned new sites in the urban extension and adjacent to J10.

CYBER-SECURITY INDUSTRY

Public and private sector cyber security activities are significant for Cheltenham, and present unique opportunities in terms of high value jobs and activities. In particular, GCHQ has recently restructured its supply chain which presents opportunities for Cheltenham to attract new private sector technology jobs and activities.

Tech Nation – Powering the Digital Economy 2015 presents evidence which shows that support from local and national stakeholders can accelerate the growth of technology clusters. The report highlights the area in and around Malvern, dubbed 'Cyber Valley' as a recognised and growing centre in the UK for the research, development and commercialisation of cyber security products and services. There are opportunities from expanding activities in the cyber-security sector, but also in any spin-off or associated ICT, digital and technology activities which may have a complementary use for the skills, specialisms and market contacts of the existing cyber security sector.

LAND, PROPERTY AND PREMISES

To provide room for growth *and* maintain the quality of life and quality of place that makes Cheltenham unique will require the strategic management of infrastructure and land assets in Cheltenham. This will involve the active consideration of the expansion needs of existing businesses and employers such as the need for specific types of sites and accommodation (e.g. business parks, innovation/technology parks), as well as consideration of business 'life cycle' needs with respect to premises (such as move-one space for growing start-ups). It also will require the consideration of expansion or supply chain needs of large employers such as GCHQ. The quality of existing sites and premises needs to be improved, including where appropriate, support for relocation of existing businesses to new high quality locations. This may include consideration of supporting uplift in values of existing sites to residential to release investment.

Existing industrial sites should be upgraded to improve their market attractiveness and offer. Upgraded sites have the potential to improve Cheltenham's Gross Value Added (GVA) performance and attractiveness to the sectors of defence/cyber security; ICT and digital; business and professional services; retail; visitor accommodation; leisure; and light industry. An 'active' strategy for sites and land assets will help to maintain employment levels and to reduce prospective increases in commuting frequencies and distances.

3. PRIORITIES AND DELIVERY OPTIONS FOR THE ECONOMIC STRATEGY

3.1 INTRODUCTION

This chapter synthesises the key messages from evidence and the issues raised during consultation meetings and interviews to suggest a small number of focused strategic priorities and objectives. Since the focus of this report and underlying analysis has been on the role of Cheltenham as a business location, the priorities and objectives necessarily reflect this.

Further on in Section 3.3 a range of potential delivery ideas and options are suggested. The aim of this section is to bring the priorities and objectives to life in terms of a range of practical delivery measures.

3.2 STRATEGIC PRIORITIES

INTRODUCTION

The key messages from evidence and from the consultation meetings and interviews raised a number of key challenges and opportunities, outlined in Section 2.6. A small number of priorities and objectives have been devised to address these, as detailed in the next section.

PROPOSED PRIORITIES AND OBJECTIVES

STRATEGIC PRIORITY	OBJECTIVES	RATIONALE
1. CHELTENHAM MEANS BUSINESS	a) Strategy to communicate existing positive news and progress to business community	Business confidence in Cheltenham as a business location is quite low, despite significant positive progress (e.g. through Cheltenham Development Task Force, proposed urban extension, proposed J10 developments, railway station enhancements, Growth Hub)
	b) Develop and implement business engagement and advocacy measures	There is the opportunity for the borough council to develop closer relationships with significant employers in order to understand their future needs and opportunities and respond positively to these requirements
2. CYBER-SECURITY CLUSTER	c) Develop and implement a cyber-security business initiative	GCHQ and its supply chain provide the opportunities to further promote and grow a knowledge- and technology- based niche within Cheltenham and the wider county. There are some short-term opportunities for providing suitable sites and premises for new or expanding suppliers to GCHQ as well as potential opportunities for existing or new SMEs in this industry cluster.

3. STRATEGIC MANAGEMENT OF ASSETS TO DELIVER PROSPERITY AND QUALITY OF LIFE	d) Enable the development and delivery of a choice of high quality business premises at scales that the market requires	This is required for long-term viability as a leading business services and technology employment location. There is a noted lack of large-scale high grade office space and high quality business parks in Cheltenham. In the past this has led to missed opportunities in terms of business location and expansion.
	e) Review the value and current use of local authority and government owned assets	Market analysis suggest strong requirement for town centre as well as greenfield opportunities for business. There are a number of significant local authority and government land holdings and assets. The value and current use needs to be re-assessed in order to appraise how they could be better used (e.g. release of sites or premises for business use or housing development).
	f) Develop positive criteria based approach to safeguarding key assets whilst recognising opportunities to redevelop sites, releasing capital and supporting wider business investments	The Sites Typology analysis in the Cheltenham Employment Sites Review highlights a number of key opportunities to deliver higher value growth that meets market needs. There are a number of sites with ageing, sometimes vacant buildings which have poor access and have constraints due to their location within primarily residential environments. The current uses need to be reassessed; opportunities for value uplift explored including upgrading or redevelopment of sites for alternative uses.
4. Design and implement vehicles for delivering land, premises, housing and infrastructure	g) Develop one or more special purpose vehicles for infrastructure, land and premises development	Currently the Cheltenham Development Task Force model has shown that much can be achieved by unlocking value in existing sites in Cheltenham, in a way which can be potentially self-funding in terms of realising surplus value from local authority property holdings. There may be a significant opportunity from using the potential surplus value to be gained from local authority land holdings to forward fund strategic infrastructure and the servicing of development sites.
	h) Collaborate with Tewkesbury Borough Council to establish the vision and ambition, strategic management, delivery mechanisms and arrangements for urban extension and J10 developments	Much of the land for proposed development is in Tewkesbury Borough Council. In order to manage and deliver the high quality developments and solutions appropriate to the long term needs of Cheltenham and Tewkesbury, it may be necessary to collaborate resources and expertise via a 'task force' or similar arrangements. This will also help to encourage faster progress.

	<p>i) Establish a project pipeline for the most important 2 or 3 infrastructure, land and property projects</p>	<p>The past four years have been dominated by a funding environment where there have been repeated calls for ‘spade ready’ physical projects that contribute to economic growth. Such have been the timescales, that opportunities have been restricted to projects that have already been significantly developed, with sufficient permissions, commitments and information collateral. It is a definite advantage to have a priority project pipeline and to have project plans and development measures in place.</p>
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IMPLICATIONS FOR CHELTENHAM BOROUGH COUNCIL

There are several potential implications for the borough council in terms of its mode of working:

- **Taking a leadership role on several critical issues:** Clearly, the Borough Council will have to assume or establish a visible leadership role in terms of business engagement and land and property development. This leadership role may be temporary (such as for initiating new projects or activities) or may be longer-term in nature. This leadership role may also involve, or be on behalf of partners in the wider county. In some cases (e.g. for cyber security, there may be the opportunity to become a national industry leader).
- **Prioritising actions to address the loss of employment land and lack of modernisation of commercial office space.** What is clear from the work that underpins this strategy is that the loss of employment land and the change in user requirements for more modern office space and larger office facilities has been a long-term trend.
- **Potential business transformation:** For example, developing a more proactive communication strategy to business could encompass a wide range of relevant council activities, and not just those relating to sites, premises and infrastructure.
- **Implications for human resources and contracted services:** establishing plans and project management teams for the urban extension and J10 developments involve a range of specialised skills, in particularly the strategic coordination of partners and delivery of major capital programmes.

3.3 DELIVERING THE PRIORITIES: OPTIONS AND IDEAS

It is always easier to understand the relevance and potential impact of priorities if they are brought to life by ideas and options for delivery. It is more difficult if priority statements remain, on their own, just statements of intent or vision.

The following sections outline a range of potential options for delivering the priorities. They are intended as suggestions and ideas for inspiration and consideration, based on the consultant's experience working with other local economies. We have included this so as to ground this strategic vision and priorities in practical actions.

We recommend that Cheltenham Borough Council focuses initially on providing a delivery plan for a few of the priorities and objectives we have introduced in this document. It is often easier to engage businesses, the community and other stakeholders around practical delivery plans.

1. CHELTENHAM MEANS BUSINESS

A) STRATEGY TO COMMUNICATE EXISTING POSITIVE NEWS AND PROGRESS TO BUSINESS COMMUNITY

Potential delivery options could include:

- Business-focused event debating the future role of Cheltenham as a business location. This would present a public platform to present ideas/vision and progress to date, as well as to invite responses from business stakeholders. A similar event could be held for the public/community.
- High impact campaign and advocacy programme for Cheltenham, which outlines
 - Recent progress in redeveloping the town centre and infrastructural investment
 - Recognition of business needs, with visionary statement (ideally jointly with business leaders) about priorities and aims

There is scope for collaboration with:

- Cheltenham Development Task Force Business representative organisations
- Major employers
- GFirst LEP

B) DEVELOP AND IMPLEMENT BUSINESS ENGAGEMENT AND ADVOCACY MEASURES

Potential delivery options could include:

- Business stakeholder management plan and activities
- Business-led lobbying and event at Westminster
- Relationship management of most important 25 businesses/employers
- 'Business first' council – services and processes reoriented to be very business friendly and integrate business support into aspects such as late payments of business rates.
- Support businesses and stakeholders to develop their own industry advocacy groups

There is scope for collaboration with:

- Cheltenham Development Task Force Business representative organisations
- Major employers
- GFirst LEP

2. CYBER-SECURITY CLUSTER

C) DEVELOP AND IMPLEMENT A CYBER-SECURITY BUSINESS INITIATIVE

The cyber-security industry continues to grow in Cheltenham. GCHQ have recently completed their plans for subcontracting and supplier arrangements for the next 5-7 years, and is a desire for increased activity and employment from subcontractors to be based, ideally, in or around Cheltenham. GCHQ also runs a small business innovation programme, which is a mechanism for procuring innovative new solutions from technology and innovation based SMEs. There is an interest in developing specialist business incubation facilities for the cyber security cluster.

Potential delivery options could include:

- Help to establish a cyber security business initiative along the lines of the Malvern Cyber Security Cluster - a group of more than 80 small cyber security companies centred around Malvern in Worcestershire who cooperate on a range of initiatives to grow their cyber security businesses, improve the cyber security of local enterprises, and also raise awareness of cyber security amongst young people.
- Malvern Cyber Security Hub helped set up 13 other local cyber security cluster forums in the UK with the financial support of the Department for Business, Innovation and Skills (under the umbrella UK cyber security forum <http://www.ukcybersecurityforum.com/>)
- Work with GCHQ and their contractors to map out key firms, assets and capabilities – as well as likely future business requirements for land, premises and skills.
- Incorporate site requirements, such as security, into future plans for business parks or business quarters
- Support joint working between the Growth Hubs (GFirst LEP and the University of Gloucestershire) and GCHQ (and its suppliers)

There is scope for collaboration with:

- GCHQ and supply chain
- Government departments and agencies: BIS, Innovate UK (formerly Technology Strategy Board), the Cabinet Office
- The Growth Hub, University of Gloucestershire, GFirst LEP
- Malvern Cyber-Security Cluster

There may be funding opportunities from:

- Government departments and agencies: BIS, Innovate UK (formerly Technology Strategy Board), the Cabinet Office
- Private businesses in the cyber security cluster

3. STRATEGIC MANAGEMENT OF ASSETS TO DELIVER PROSPERITY AND QUALITY OF LIFE

D) ENABLE THE DEVELOPMENT AND DELIVERY OF HIGH QUALITY BUSINESS PREMISES AT SCALES THAT THE MARKET REQUIRES

The demand for high quality office and business premises continues to grow whilst the supply is very limited and often not of a quality that supports high value or innovative businesses. It is recognised that to deliver both the Joint Core Strategy targets and the Strategic Economic Plan ambitions will require a significant uplift in both the quantity and quality of employment space. Producing an economic strategy or business land requirement which clearly and unambiguously bridges the aspirations and propositions of both the Joint Core Strategy and the Strategic Economic Plan is beyond the brief of this study.

Although there are difference in the scale of ambition between the Strategic Economic Plan and Joint Core Strategy documents, there are common objectives to improve the economic performance of the borough and secure its long term economic success which requires short term actions and importantly should not be lost in the discussions on longer terms decisions on the strategic role of Cheltenham within the M5 Growth Zone.

Potential delivery options could include:

- Strategic employment sites– Cheltenham Employment Land review provides an insight into current and future land and property demand and availability. Workforce and infrastructure issues are also key. Evidence and analysis for the Joint Core Strategy and previous work for the borough sets out opportunities for urban extensions to provide a choice of employment sites. Given the long lead in time for the NW proposition, alternative new sites should be positively considered through the Local Plan and in response to planning application submissions.
- Concluding on strategic sites for future development and an understanding of the interventions for each site to bring it to the commercial market / viable property proposition.
- Maximising the development on existing committed sites for business park development including Grovefield Way
- Pop-up incubators that utilise redundant space in existing public or private buildings – e.g. refurbish a hot-desking or partitioned office. These can be a cheap way to explore levels of market demand, and extend existing providers into new markets
- Improving the sustainability of existing premises: It is possible to use European Regional Development Fund for small business grants to help with premises improvements/adaptations for low carbon/ environmental sustainability. E.g. a simple European Regional Development Fund grant scheme where the private business provides the matched funding - e.g. grants4growth has been developed by Breckland Council and is being rolled out in Lincolnshire (via South Holland DC) as well as the East of England Local Enterprise Partnerships areas (<http://www.grants4growth.org.uk/>).
- Create ‘virtual business park’ via designated ‘quarters’ of the town/borough. E.g. create branding and physical identity for ‘financial services’ or ‘legal services’ quarter within Cheltenham. This has been done in other cities – e.g. designation of ‘International Financial Services District’ and focused assistance to property developers to provide suitable premises, with delivery of distinct public realm and signage to lead to a separate identity of a quarter of the central business district.

There is scope for collaboration with:

- Cheltenham Development Task Force Tewkesbury Borough Council, Gloucestershire County Council, GFirst LEP
- Existing large employers and real estate industry stakeholders
- Business Improvement District / Town Centre Manager

There may be funding opportunities from:

- Land values uplifts, CIL, Section 106, Business Rates retention/uplift, New Homes Bonus
- GFirst LEP
- European Regional Development Fund Business Improvement District

E) REVIEW THE VALUE AND CURRENT USE OF LOCAL AUTHORITY AND GOVERNMENT OWNED ASSETS

Potential delivery options could include:

- Audit of asset values; asset balance sheets and business plans.
- Complete a review of parking sites with a view to town centre growth
- Asset development programme – exploring alternative uses of existing assets with aim of increasing value as strategic tool for economic growth to support existing, relocating or new business investments and improving the quality of life/environment of Cheltenham

There is scope for collaboration with:

- Cheltenham Development Task Force Tewkesbury Borough Council, Gloucestershire County Council, GFirst LEP
- Existing large employers and real estate industry stakeholders

F) DEVELOP POSITIVE CRITERIA BASED APPROACH TO SAFEGUARDING KEY ASSETS WHILST RECOGNISING OPPORTUNITIES TO REDEVELOP SITES, RELEASING CAPITAL AND SUPPORTING WIDER BUSINESS INVESTMENTS

Potential delivery options could include:

- Develop a clear protocol and criteria for supporting the reuse of sites and premises that no longer meet the needs of business in the Borough Plan.
- Audit the 2014 sites assessment and sites typology to identify key sites and businesses at risk and develop and Asset development programme – exploring alternative uses of existing assets with aim of increasing value as strategic tool for economic growth to support existing, relocating or new business investments and improving the quality of life/environment of Cheltenham

There is scope for collaboration with:

- Cheltenham Development Task Force Gloucestershire County Council, GFirst LEP
- Existing employers
- Real estate industry stakeholders

4. DESIGN AND IMPLEMENT VEHICLES FOR DELIVERING LAND, PREMISES, HOUSING AND INFRASTRUCTURE

G) DEVELOP ONE OR MORE SPECIAL PURPOSE VEHICLES FOR INFRASTRUCTURE, LAND AND PREMISES DEVELOPMENT

Potential delivery options could include:

- Establishment of property and infrastructure development fund. Could forward fund infrastructure and services for publicly owned sites or Civic Pride sites, then recoup funds from uplifts in land value or subsequent housing/commercial development. Model can also be applied to phased regeneration of ageing industrial estates
- Accommodation improvement (low interest) loan fund - business, manufacturing, visitor activities eligible. Loan fund ensures that commercially viable projects will progress. Loans rather than grants help to promote commercial viability and filters out low value added investments.

There is scope for collaboration with:

- Cheltenham Development Task Force Tewkesbury Borough Council, Gloucestershire County Council, GFirst LEP
- Existing large employers
- Real estate industry stakeholders

There may be funding opportunities from: GFirst LEP, SLGF, Public Works Loan Board

H) COLLABORATE WITH TEWKESBURY BOROUGH COUNCIL TO ESTABLISH STRATEGIC MANAGEMENT, DELIVERY MECHANISMS AND ARRANGEMENTS FOR URBAN EXTENSION AND J10 DEVELOPMENTS

The differing ambitions between the Joint Core Strategy and the Strategic Economic Plan are keenly felt in discussions on the NW Cheltenham strategic site and the appropriate scale and function of this site within the M5 Growth Zone. This study does not determine or provide advice on the strategic interventions or scale of employment land requirements to deliver the higher Gross Value Added (GVA) and job growth ambitions in the Strategic Economic Plan.

Potential delivery options could include:

- Development of two task forces:

1) To develop a vision, strategy and implement the urban extension. Essentially a place shaping role - master planning and capital investment, gaining interest of property development interests. Helping to ensure high quality and relevance to local needs and capacities for growth.

2) To plan for, push and lobby for M5 J10 improvements. Essentially a campaigning role - focused on advocacy, campaigns and lobbying.

- Development of an integrated development plan for urban extension and J10 improvements.

There is scope for collaboration with:

- Cheltenham Development Task Force Tewkesbury Borough Council, Gloucestershire County Council, GFirst LEP
- Existing large employers
- Real estate industry stakeholders

I) ESTABLISH A PROJECT PIPELINE FOR THE MOST IMPORTANT 2 OR 3 INFRASTRUCTURE, LAND AND PROPERTY PROJECTS

The contemporary funding climate is one where grant funds emerge from government (and Local Enterprise Partnerships), with short turnaround of applications, usually specifying projects start within 12 months. Successful projects are mainly ones that have already been developed as concepts to a significant degree, with planning permission secured where necessary.

Potential delivery options could include:

- Establish a project development and feasibility fund or seek funding /resources from the Local Enterprise Partnerships
- 1 or 2 projects developed within next 6 months to be ready for new funding opportunities such as Growing Places Fund (Gloucestershire Infrastructure Investment Fund) recycle
- Use existing funding as leverage (Section 106)

Across England, it has often been the case that local authorities with 'spade ready' projects have been first in the queue when it has come to discussions about potential funding with their Local Enterprise Partnerships.

It is also worth bearing in mind that these funding sources require significant details about proposed projects, and also guarantees (e.g. such as planning permission already granted for property developments). For example there must be sufficient evidence of the economic and business case and proposed delivery arrangements. Therefore it is sensible to focus on 1 or 2 projects.

There is scope for collaboration with GFirst LEP, Gloucestershire County Council and Tewkesbury Borough Council.

There may be funding opportunities from: SLGF (subsequent years), Gloucestershire Infrastructure Investment Fund, European Regional Development Fund, Local Transport Body. It is sometimes possible to capitalise project development and feasibility costs and recoup them later on through capital grants and loan funds, such as Local Transport Body funds.

