

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

## APPENDIX C: Consultation report

For Cheltenham Borough Council

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# SUMMARY

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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 perceptions summarised here.

## THERE WERE CONSENSUS VIEWS ON FOUR KEY PRIORITIES FOR THE CHELTENHAM ECONOMY:

1. Providing sites and permissions for suitable office space: The need for solutions to provide a range of sites and premises to support business growth, including modern, large offices as well as 'move-on' space for growing new businesses.
2. Actively supporting business growth: The need for a stronger vision for growth and change over the next 20 years that encompasses a wider range of sectors than currently.
3. Improvements to transport and parking: particularly to the west of the town and the city centre, 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.
4. Supporting expansion of GCHQ: who are actively looking for an expansion location for themselves and locations for subcontractors.

## CHELTENHAM IS NOT COMPETITIVE AS A BUSINESS LOCATION

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 HE and FE 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. Direct competitors in terms of alternative business locations included Gloucester, with its available sites and premises; London, Birmingham, Bristol and Bath for business HQs; and Tewkesbury with its available land and sites at J9.

## CHELTENHAM'S CHANGING ROLE AS A BUSINESS LOCATION

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, according to numerous business stakeholders, the Gloucestershire area has lack of access to markets and availability of skills specialisms or national assets compared to other UK locations.

## LOW BUSINESS CONFIDENCE IN CHELTENHAM AS A LOCATION FOR BUSINESS GROWTH

An over-riding impression, particular amongst business stakeholders consulted, was the low levels of confidence in Cheltenham as a business location in terms of its competitive offer, costs, sites and premises, and access to talent.

## TRENDS IN REAL ESTATE AND PROPERTY DEMAND

Three key trends were identified: 1. the loss of business accommodation for other uses, 2. insufficient high quality accommodation for new and expanding businesses, and 3. increasing demand for smaller units.

# INTRODUCTION

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## CANVASSING AND REPORTING PERCEPTIONS AMONGST CHELTENHAM'S KEY STAKEHOLDERS

Interviews and meetings were held with 25 business leaders, property agents and consultants, business organisations and representatives and council leaders in Cheltenham between November 2014 and January 2015.

**It is important to note that this document reflects perceptions as stated during stakeholder consultations.** This summary report presents issues and perceptions that were commonly held across stakeholders. Whilst there is some measure of strength of feeling and market feedback, they must be considered alongside other evidence such as the economic assessment and review of employment sites and land.

## THE CONSULTATION EXERCISE

The purpose of the consultation was to understand, in real-time the practical policy issues and market dynamics facing Cheltenham as a business location. The main insights sought include the following:

- To assess strengths, weaknesses, opportunities, threats for the Cheltenham economy;
- Understand the role of Cheltenham as a business location and its key strengths and weaknesses;
- Develop a sense of the critical economic priorities in Cheltenham, particularly relating to key sectors, growth and decline;
- Gain insight into real estate and property trends and demand, including the key development sites, assets and opportunities;
- Improved understanding of private sector views about opportunities, barriers and critical issues;
- Understand the relationships and interdependencies with surrounding/adjacent districts, such as Gloucester and Tewkesbury.

The key findings from this consultation are detailed below.

# WHAT ARE THE MAIN PRIORITIES AND NEEDS FOR THE CHELTENHAM ECONOMY?

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## 1. PROVIDING SITES AND PERMISSIONS FOR SUITABLE OFFICE SPACE

If established and start-up businesses in Cheltenham want to be ambitious, 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 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.

## 2. ACTIVELY SUPPORTING BUSINESS GROWTH

CBC needs to be more growth-orientated with a stronger vision for growth and change over the next 20 years. There is a general feeling that the major growth sectors in the town are the care sector – supporting Cheltenham's ageing population – and retail. Top priorities include allocating land for growth, helping indigenous companies to expand and improving the offer for start-up businesses. More could be done to promote and support Cheltenham's engineering base, attract engineering talent to the area and ensure it can compete on a global scale.

## 3. IMPROVEMENTS TO TRANSPORT AND PARKING

Many consultees emphasised the need for transport improvements in and around Cheltenham – particularly to the west of the town and the city centre, 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.

## 4. SUPPORTING EXPANSION OF GCHQ

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

## HOW DO YOU PERCEIVE CHELTENHAM AS A BUSINESS LOCATION?

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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 HE and FE 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.

## WHO ARE CHELTENHAM'S MAIN DIRECT COMPETITORS?

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Other centres have become much more competitive and attractive, particularly Gloucester, with sites and premises 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 the 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.

Businesses with HQs in the area noted strong competitors further afield, such as London, Birmingham, Manchester, Bristol and Bath. Competition was particularly strong in terms of attracting skilled labour with more attractive career opportunities elsewhere.

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 Tewksbury 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?

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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 retail business HQs is highly unrealistic. It does not have any of the supply chain or industry leadership roles or functions that would lead to a compelling reason for a retail HQ location (e.g. proximity to fashion industry, proximity to HQs of major retail multiples, in catchment for retail SEOs). When thinking about HQs, important questions to ask include: 1. Would a corporate HQ actively choose to locate in Cheltenham – if not, why not? 2. What has been CBC's response to HQ closure and relocation? 3. What will be the implications of a much reduced profile as an HQ location? In terms of being an HQ for engineering businesses, Cheltenham struggles to attract skilled labour to the area.

Other trends have included growth in the retail, leisure and care sectors and GCHQ expansion alongside 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. 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 and CBC having little vision for change.

It was suggested that 90 per cent of future inward investment opportunities would come from follow-on expansion and investment from existing firms.

## WHAT ARE THE TRENDS IN REAL ESTATE AND PROPERTY DEMAND?

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Consultees highlighted three key trends: 1. the loss of business accommodation for other uses, 2. insufficient high quality accommodation for new and expanding businesses, and 3. increasing demand for smaller units.

There has been strong growth in residential development in the town. Consultees noted that Regency buildings were being converted from business accommodation to residential/leisure/tourism use, largely because landlords could attract higher returns from change of use. An oversupply of office space means that office rents have been suppressed and undervalued. The key question is how to replace loss of Regency office floorspace with alternative sites/offers. If Cheltenham is to compete with nearby areas, it needs to create more high quality, flexible office space, such as at Eagle Tower.

Many consultees stressed that there was insufficient high grade office space within the town and few sites for expanding businesses. Once a business has outgrown a Regency terrace, there are few alternative properties of sufficient scale and quality. There are also no sites available for Cheltenham to attract a large employer to the town and no soft landing space for inward investors. Some businesses have moved from ageing accommodation to modern sites in Gloucester and Tewkesbury.

Demand for property has also increased for small businesses as the number of large businesses in the town has declined. Consultees noted that there were not enough smaller sites in the town, compared to Gloucester, and not much easy-in easy-out workspace for small business, with short lease terms and low rents.

## WHAT DO YOU REGARD AS THE KEY DEVELOPMENT OPPORTUNITIES, SITES, OR ASSETS IN CHELTENHAM?

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- **North place car park:** CBC received £7.8m for the site, which it is putting back into Boots Corner. A developer had been acquired but is now pulling out and wants to sell the site;
- **The urban extension site** offers some employment land for businesses who are moving out of Regency buildings as well as for future demand;
- **J10 M5**, perhaps a high quality business or technology park. Need to be strict about use, i.e. should be high value added/technology/professional;
- The **airport** is a key site. It currently makes a loss and does not have commercial flights. Its economic and commercial value is poor, yet it has a prime position and could satisfy the development needs of the County;
- Recent developments such as the **Brewery** are not cutting-edge enough, e.g. on-street rather than an enclosed mall;
- **Cheltenham Borough Homes** – the local housing association own 5,000 homes but they are not ambitious enough, i.e. they only plan to construct 100 homes. There are no joint equity schemes or key worker schemes like in other localities with tight housing markets and there is no innovation and no strategy to housing.

# A NUMBER OF CONSULTEES HIGHLIGHTED INFRASTRUCTURE ISSUES IN AND AROUND CHELTENHAM:

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## ROADS

- The A417 is the only single track road between London and Cheltenham. Dualling needs to happen as a priority;
- The GCHQ roundabout is very congested at rush hour;
- The link for North Cheltenham with the M5 is a one-way junction and bottleneck. Becoming a two-way junction would open up opportunities for industrial development and housing. However, there are no budgets, plans or indications on how road access will be managed until the J10 works are complete (which is indeterminate). Congestion issues will be eased for some parts of the town by J10 upgrade, but a lot of issues and business relocations might occur in the 20-30 years it takes for this to be complete;
- The J10 and urban extension will only work as sites if a ring road is built to relieve roads in the town centre, i.e. a ring road from A46 at Bishop's Cleave round to A417 to provide access to J10 and fast access to M4.

## TRAINS

- More and faster trains are needed to London: The line has been dualled but trains have not become quicker and there has been no increase in the number of trains;
- Better links are needed to the train station, which is outside the town. This could include more park and ride services while a light rail solution from the racecourse to the city centre and rail station would be helpful;
- Old train lines could be opened up as cycleways.

## PARKING

- Availability and cost is a major issue and advocacy of underground parking has got nowhere. Consultees would like to see a strategic parking land review.

# WHAT CAN THE COUNCIL DO / CONTINUE TO DO TO SUPPORT THE ECONOMY?

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**It was suggested that CBC needs to be more active in locational/land/premises issues** as the County Council has not been active in recent years and GFirst is not taking a role for land assembly. It needs to provide larger high grade offices, help indigenous companies to expand, invest in transport and deliver strategic infrastructure. In terms of the urban extension and J10 development, CBC needs to get the right developers and identify firms interested in moving.

At present, consultees stressed that the timescales for planning and development are far too lengthy. In terms of the J9 at Tewkesbury, this has been under development for 30 years. There is also conflict between conservation and development, causing delays and adding to costs. This needs to be made less obstructive. Planning use is also too tightly defined, e.g. B2 office space. More flexibility would speed up development. Some consultees did not have the impression that CBC wants to move forward and develop the town as it has not been forthcoming with allocating land.

**CBC needs a stronger vision for Cheltenham's role as a business location over the next 20-30 years.** Consultees noted that CBC needs to be more dynamic, get in 'growth mode', redefine Cheltenham's role as a business location, shape the economy of the borough, and have a coherent response to loss of HQs. At present, there is a lack of open, public debate about the future role and aims of Cheltenham and how it relates to the wider county, UK and global economy.

Some consultees noted conflict between becoming a thriving employment site vs. a sleepy retirement town, with lots of care and residential developments on employment sites. There appears to be no huge desire from CBC to attract big employers with most growth coming from restaurants and small shops. There was also concern over a perceived lack of support for the town's manufacturing/engineering base with all attention focusing on retail/services growth.



**More active support for businesses is needed.** CBC needs to implement key account management and show that it is interested in supporting and retaining key employers in the area. Consultees stressed that CBC needed to do more for business, be realistic about what businesses need, and engage more with the business community. Some businesses noted little/no dialogue with CBC despite being major employers in the area.

CBC could also facilitate joint working between major employers in the town to see where there may be opportunities for creativity/entrepreneurship/ or further use of skills.

**Strong joint working is required by CBC.** In terms of economic development, joint working around key priorities is needed as well as using partner strengths. Consultees stressed the need for CBC to become a lot more proactive in engaging with key businesses, agencies, public sector partners. At present, many stakeholders feel isolated. It would also be useful to create a joint task force to take forward each major initiative in the town, e.g. urban extension, reconfiguring Regency town for 21st century, etc.

CBC also needs to work closely with Gloucester and Tewkesbury through the Joint Core Strategy (JCS), e.g. Tewkesbury has a role as a major source of land for expansions to meet demand pressure from Cheltenham. However, the JCS needs to be more strategic – it is currently all about numbers rather than identifying what sites and land assets are needed where and for what purposes.

CBC also needs to continue its support of Cheltenham Development Task Force, and extend its role where appropriate.



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