THE ECONOMIC STRATEGY FOR BATH AND NORTH EAST SOMERSET 2010-2026

EXECUTIVE SUMMARY

The Economic Strategy's aim is **"to improve the prosperity and well being of Bath and North East Somerset residents through a more productive, competitive and expanded economy by 2026".**

If managed correctly, with the right interventions, the economy has the potential to deliver an improvement to living standards and social well-being through more employment opportunities, and will contribute to improved services to residents in B&NES.

A scarcity of resources - both natural and financial - an ageing population, competition from overseas, and the loss of jobs in the district in traditionally strong local sectors, are driving the need for change.

The economy of Bath and North East Somerset

The Bath and North East Somerset economy has a predominance of public-sector related, retail, leisure and tourism employment. Public-sector related activities account for some 35% of total employment. This is borne out by statistics on average weekly workplace wages, which show the District to have the lowest in the West of England, and is also borne our by statistics on productivity per full time equivalent employee (also the lowest in the sub-region).

These activities are extremely important to the District, providing employment in our towns and villages. The significant number of retail and accommodation jobs– particularly in Bath - reflect an international reputation founded on a unique built environment and cultural history.

However, in recent times, lower-value activities, such as in some types of manufacturing, have lost ground, and we have seen many job losses – particularly in the Somer Valley, but also in Bath and Keynsham (the Cadbury's factory is due to close in 2011). One of our biggest employers, Helphire, was also due at the time of writing to relocate around 300 jobs from Bath to the North of England. It is critical, therefore, that the economy looks to offer more opportunities to its resident population.

Platforms for success

Our economy is dominated by micro and small businesses, reflecting an entrepreneurial spirit. Several of these companies have been set up by graduates of our two Universities, the University of Bath and Bath Spa University, and have grown to become major employers locally (for example, IPL, and picoCHIP).

Particularly productive activities include engineering, technology-related activities, and some creative industry activities, such as publishing and sound recording.

The area is home to some critical business networks, which provide a source of information, support and guidance for start-up and small businesses in certain sectors. These include Silicon Southwest, Creative Bath, and the Bath and Bristol Enterprise Network, which are mostly run out of Bath University's Innovation Centre based in Bath.

Lowcarbon Southwest, also run from the Innovation Centre, is supporting businesses developing low-carbon solutions.

In the main, our resident population is well-equipped to take up job opportunities locally, should they be created. 34% of residents are qualified to degree level, compared with 29% nationally.

We can also build on the area's international reputation to promote investment, not forgetting that place is an integral part in shaping our competitive identity.

Our action plan

This strategy will be monitored and delivered by the Sustainable Growth Alliance, the economy working group of the Local Strategic Partnership. Partners on that group will be responsible for putting into place projects set out in the action plan.

The Economic Strategy's Action Plan revolves around the following key requirements to help meet the above challenges:

- Contribution towards ensuring that the local population – of all ages – is suitably skilled to enable economic participation, and that skills demands from employers in growth sectors are anticipated;

- Providing more business premises to allow indigenous business growth *and* inward investment across the District) to help stem the flow of out-commuting (particularly from the market towns);

- Supporting more innovation, start-up and business growth locally – particularly in more productive sectors (for example, in technology-related fields), and activities which reflect legislative and social change (for example, low-carbon related activities such as retrofitting for energy efficiency, and activities relating to health and wellbeing);

- Maintaining and strengthening our market position in retail, leisure, tourism and manufacturing;

- Developing a set of materials which will promote investment to our urban areas, based on each of their unique identities and strengths.

Growth vs sustainability?

The need to expand the economy, set against the need to urgently tackle climate change and our impact on levels natural resources, presents a huge challenge.

The Sustainable Community Strategy sets a carbon reduction target of 45% by 2026. This strategy will make a critical contribution towards this goal.

On a local level, we must ensure that growth *is not at any cost.* Bath and NE Somerset's wealth of natural and cultural assets, including its rivers, woodland, parks, exceptional landscapes and historic built environment, make a huge contribution towards to the attractiveness and liveability of the district, including for new and existing businesses.

Our strategy aims to create the conditions for the growth of the right *kind* of jobs, in the right *places*. Contribution towards this could be made at all levels in all areas of the district – for example, assessing the contribution the rural areas could make towards renewable energy and local food growing.

1. INTRODUCTION

WHY IS THE ECONOMY AND ECONOMIC GROWTH IMPORTANT?

A healthy economy is a key factor in ensuring the prosperity of people living in Bath and North East Somerset.

Crucially, the term 'prosperity' should not only mean an increase in wages or having more money to buy more consumer goods. It means having the freedom and opportunity to contribute to society and the community, being able to participate in education, and enjoying better health and a longer life.

Economic growth – driven by improvements in efficiency or 'productivity' - is generally seen as a primary route to achieving increased prosperity. But economic growth must be encouraged, developed and supported in the correct way with the right interventions, to secure benefits for future generations.

As section 2 identifies, we are living in a world of finite resources, and we must at a local level tackle the enormous challenge of 'narrowing the gap' and creating prosperity, whilst simultaneously reducing our impact on the environment.

The recession that began in 2008, (and which at the time of writing continues to affect our businesses, individuals and families) served to remind us that we cannot be complacent about the state of our economy.

In fact, as section 2 and 3 will set out, our rural and urban areas alike are facing big challenges which urgently need to be overcome if we are to meet the goal of increased prosperity for all. Our economy will need to become more competitive against a backdrop of fuel and energy shortages, an ageing population, and competition from growing economies.

But a renewed focus on our economy also offers us some insight into our particular strengths and our unique selling points, which we can use as a platform for reinvigorating the economy and providing more opportunities for all, in a more sustainable manner. Section 5 sets out our strategy for action.

WHAT IS OUR OVERALL OBJECTIVE?

To improve the prosperity and wellbeing of Bath and North East Somerset residents via a more productive, competitive and expanded economy by 2026.

WHAT DO WE WANT THE ECONOMY TO LOOK LIKE IN 2026?

- A more environmentally sustainable economy with increased local employment, less overall commuting and a reduction in the contribution made by commerce and industry to the carbon footprint of the area, and a strong low-carbon business sector

- A socially inclusive economy with continuing high levels of economic participation, a focus on lifelong learning, and increased and relevant workforce skills.

- An economy which is more diverse, productive and resilient thanks to an increase in knowledge-based jobs.

- A place where knowledge-based workers (including graduates) can find jobs and where the innovation being developed at our leading education providers can grow commercially.

FOCUSED AND SMART INTERVENTION

Resources – including public sector resources – are scarce, and our challenge is to focus on areas where investment and intervention will create the greatest gains for our economy and therefore our community.

DELIVERY AND MONITORING

This strategy will be monitored and managed by the **Sustainable Growth Alliance**, the Economy working group of the Local Strategic Partnership. An annual report, which will review the Economy Strategy and update on actions, will be produced by the group.

SGA membership includes the following:

- The Learning and Skills Partnership
- The Federation of Small Businesses
- Bath Chamber and Initiative
- Jobcentre Plus
- Bath and North East Somerset Council
- Bath University
- Bath Spa University
- South West Regional Development Agency
- Government Office for the South West
- GWE Business West.

RELATIONSHIP TO OTHER DOCUMENTS

This Economic Strategy provides more detail on the overarching economic aims and objectives set out in the **Sustainable Community Strategy**, which has been adopted by the Local Strategic Partnership, and by Bath and North East Somerset Council. These aims and objectives include:

- The provision of more appropriate modern business premises to allow the growth of knowledge-based employment locally;
- Providing appropriate business support and advice;
- Ensuring that the local population has appropriate skills and knowledge to access current and future work opportunities.

This strategy will inform, and complement, a number of plans and strategies being developed – for example, the Employment and Skills Strategy (led by the Employment and Competitiveness Board).

Importantly, this strategy will inform and is aligned with a number of crucial spatial planning strategies which will provide a spatial framework for encouraging economic prosperity, including through the delivery of more employment space locally. These strategies include:

- Core Strategy (led by Bath and North East Somerset Council)
- Regeneration Delivery Plans (led by Bath and North East Somerset Council)
- Infrastructure Delivery Plan (led by Bath and North East Somerset Council)
- Joint Local Transport Plan 3 (a document produced by Bath and North East Somerset Council, Bristol Council, North Somerset and South Gloucestershire.).

The Economic Strategy will also help to deliver overall growth objectives for the South West region, as set out in the Regional Economic Strategy.

2. DRIVERS FOR CHANGE

When considering a strategy for the development of the Bath and North East Somerset economy, thought must be given towider, longer-term trends driving the national and global economies. The Bath and North East Somerset economy must be able to meet the challenges posed by such trends, and take advantage of the economic opportunities that they present.

a) Scarcity of resources

- Pressure on natural resources, and peak oil

With the world's population set to increase by almost one third by 2050 (UN World population prospects 2008) huge pressure will be put on natural resources. Evidence suggests that we have now damaged around 60% of the world's ecosystems – and this before we have seen the full potential of developing economies.

Some experts think that a 'Peak Oil' scenario – that is, the point at which oil production will peak before declining to produce big increases in costs – is likely to happen as early as in a decade's time (Prosperity Without Growth?, Sustainable Development Commission, 2010). At current rates of oilfield discovery the world is finding approximately one barrel of oil for every three that it uses (International Energy Agency's World Energy Outlook 2008). Most businesses do not currently consider peak oil as a risk, but the effects of reduced production would severely disrupt most businesses. Peak oil will cause substantial price volatility in raw materials and fuel, and it will challenge manufacturing and distribution models (The Bristol Partnership, 2009).

This all requires a global response, including a transition to a low carbon world. So we need to ensure that the structure of the economy of Bath and North East Somerset – including the location of housing, jobs and the nature of those jobs – allows for a reduction in our consumption of natural resources.

The shift to a low-carbon economy is already changing our industrial landscape, the supply chains of our businesses and the way we all live and work. Following the economic events of 2008 and the financial interventions made by the UK government, political parties of all persuasions are now likely to favour more "green investment". This will stimulate the creation of jobs across all wage levels.

The UK low carbon environmental goods and services (LCEGS) market is already worth £106 billion and employs 880,000 people directly or through the supply chain. It is estimated that over 1 million people will be employed in the LCEGS sector by the middle of the next decade (BERR: The UK Low Carbon Industrial Strategy 2009). Others predict that the market is potentially as large as the global pharmaceuticals market (SQW report to DEFRA, 2007).

This shift presents opportunities for entrepreneurs and businesses based in Bath and North East Somerset who are developing new technologies and solutions to meet the low-carbon challenge. As we will see in Section 4, B&NES is well-placed to take advantage of these opportunities.

- Demographic change

Demographic trends are changing economies in both the developed and the developing world. An ageing population in the developed world means that the ratio of older people to the working age population is expected to increase by 40%-60% in the advanced economies by 2030 (UN World Population Prospects 2008).

The slowdown in the growth of the workforce will leave fewer workers in relation to the population they must support – workers who will be expected to be more productive.

In B&NES, the overall life expectancy is increasing and is some of the highest in the country. A boy born in 2005 can expect to live for nearly 80 years, and a girl for over 82 years. The population of Bath and North East Somerset is expected to increase by 18% from 176,390 in 2009 to 210,070 by 2026, including a 16% increase in the 80+ population (2008, West of England

Demographic Projections, Greater London Authority). Again, the shift towards an ageing population provides opportunities for those businesses offering health, wellbeing and biomedical products and services.

- Impact of the recession

At least in the short-term, once the recession is over, there is likely to be a significant reduction in public spending, with public services being forced to prioritise the areas where money is spent, and this will require a reshaping of local public services.

b) Rising incomes in developing countries

The growth of the middle classes (and a general trend towards rising incomes) in highly-populated growing economies will pose increasing opportunities and challenges for firms based in Bath and North East Somerset. More people will be purchasing higher quality goods and services – including those which are produced to higher environmental standards (BERR 2009 Economics Paper – China and India – opportunities and challenges for the UK, Jobs for the Future, BERR, 2009). Bath and North East Somerset businesses will also be competing with high-quality businesses across the world.

Figure 1 summarises our challenges.

CHALLENGE / ISSUE	**EFFECT**	**INTERVENTION / OPPORTUNITY**
Pressure on global natural resources	A greater emphasis in government policy on "local" natural resources and carbon reduction – as prioritized in top-level B&NES strategies	Ensuring that local procurement (including energy sources) is promoted and used Creating more employment opportunities locally – helping to reduce commuter flows Creating the conditions for the growth of businesses involved in developing low-carbon solutions and technologies Ensuring our people have the skills to take up jobs in activities relating to the low carbon agenda. Assisting all types of business to mitigate and adapt to climate change and resource scarcity.
Less people of traditional working-age age bands in the long-term	A requirement for jobs to be more "productive" / higher-value – a need for B&NES to use employment sites to facilitate this process	Ensuring greater diversity and better balance of employment in B&NES – particularly high-value jobs
	Competition between geographical locations for the best skills and people	Ensuring that young, highly-skilled people are attracted to, **and can find employment in**, B&NES

	A greater demand for more healthcare and leisure services	Encouraging the growth of businesses involved in health, biomedical, and wellbeing services.
	Probable requirements for many to work longer	Ensuring that older people in B&NES are adequately skilled to remain in the workforce Ensuring that older people in B&NES have the support to become self-employed
Greater competition from expanding economies	Innovation becomes crucial to the survival of businesses in B&NES	Encouraging entrepreneurship in B&NES by providing relevant support and information services Providing incubation space where innovation can flourish and expand Ensuring existing businesses are aware of, and can access, appropriate R&D support resources.

3. INTRODUCTION TO BATH AND NORTH EAST SOMERSET – OUR PLACES

GEOGRAPHICAL CONTEXT

Bath and North East Somerset has existed as an administrative area for nearly 14 years, following the division of the former county of Avon. It has a population of 169,040 (Census 2001). It is part of an extremely economically diverse South West Region. The West of England sub-region (comprising the Unitary Authorities of Bath and North East Somerset, Bristol, North Somerset, and South Gloucestershire) has been designated a core city-region which is very much the regional focus for businesses (with 26% of registered companies, 20% of the South West's total population, and four Universities).

Of course, Bath and North East Somerset -based businesses do not operate within the confines of administrative boundaries, and sub-regional working is becoming increasingly important, both for business networks and for public sector agencies.

OUR PLACES

Economic activity is centred around Bath, Keynsham and the Somer Valley (particularly Midsomer Norton, Radstock, and the village of Peasedown St John), but villages in the more rural areas (for example, the Chew Valley) also contribute a great deal to our overall economic output.

This strategy recognizes that different parts of Bath and North East Somerset are facing different challenges, and that a sense of 'place' has a central role to play in the success of economies.

Bath

Sitting within the West of England City Region, Bath has a good reputation for the quality of life it offers. Bath's standing as one of England's most liveable cities attracts visitors and new residents to the best of urban and rural life.

Bath is well known as an international tourism destination, thanks to its cultural and built heritage, thermal springs and landscape setting – encapsulated in its designation as a World Heritage site.

The city also serves as a regional shopping centre, characterized by a strong independent and boutique shop offering, which sit alongside national and international retail brands.

Bath is one of the most important places of learning in the South West. In 2007/8 there were just under 20,500 students attending the two Higher Education institutions of the University of Bath and Bath Spa University (Higher Education Statistics Agency, Performance Indicators 2007/8).

Thanks in large part to the role of the two Universities, Bath has long been a place of learning, innovation and creativity, with particular strengths in the creative arts, and engineering and technology. Pioneering work and knowledge has often 'spun out' and driven what are now successful and significant employers such as IPL, Rotork and picoCHIP. Market-leading creative companies are based locally, such as Future Publishing and Touch Productions (see box on page 18).

Bath's thermal springs have meant that, for thousands of years, the area has been a place of respite and care for the sick (for example, at the Mineral Hospital). This tradition continues to this day with the Royal United Hospital in particular being at the forefront of biomedical research and development, and healthcare remains one of the biggest employment sectors in the District.

Bath is a principle location for other public sector activities, with high levels of employment in education and public administration. The MOD retains three sites in and around Bath, employing approximately 1,800 people.

Keynsham

Keynsham is located just seven miles west of Bath and five miles east of Bristol City Centre. Despite its proximity to Bristol, Keynsham has retained its own identity and is surrounded by countryside and fields which are protected by the Bristol / Bath greenbelt.

With a population of 15,531 people, the town has a working age population of 56.3% of the total, a proportion lower than that of the whole of Bath and North East Somerset. A high proportion of adults are age 65 and over (Census 2001).

The town's dominant employer is the public sector, with Bath and North East Somerset Council's offices being located there. At the time of writing Cadburys (which was taken over by Kraft in 2010) employs around 400 people at the Somerdale site, but was due to close in 2011.

The town centre is characterized by local independent retailers, some large nationals, and charity shops, and the library and leisure complement the town centre's retail role.

The Somer Valley

The Somer Valley covers the market towns of Midsomer Norton and Radstock, together with their rural catchment area containing the principal villages of Peasedown St John and Paulton. It houses around 25% of the population in Bath and North East Somerset. The area is located 12 miles south west of Bath (connected by the A367) and 16 miles south east of Bristol (connected by the A362 and A37).

The two towns of Midsomer Norton and Radstock, with a population of 21,326 (making the area the second largest urban area in Bath and North East Somerset) are located in an area which was formerly part of the Somerset coalfields and retain a rich industrial heritage, an engineering skills base, and the area is an important centre for the printing and packaging industry.

Major employers in the area include Welton Bibby and Baron, Coates Electrographic and Dickies UK. The area sees a relatively high proportion of the workforce employed within small businesses of 10 employees, which demonstrates the potential to support future economic growth.

The rural areas of Bath and North East Somerset

The rural areas of Bath and North East Somerset contain around 37% of our total population. Many highly-skilled entrepreneurs and small businesses are based in these areas (for example, in villages in and around the Chew Valley). Estimates suggest that self-employed people account for 32% of the total number of employees in the rural areas.

4. THE B&NES ECONOMY – WHAT SHAPE ARE WE IN?

This section will look at the types of economic activities most common in the District, how this relates to employment levels, and how "productive" and competitive our economy is.

WHAT DOES THE B&NES ECONOMY OFFER?

Figure 2 below sets out employee numbers by broad industry.

Figure 2

Jobs by industry	Employees*	% total
Wholesale and retail	12,450	16%
Human health and social work	11,660	15%
Education	10,350	13%
Professional, scientific, technical	6,580	8%
Accommodation and food	6,640	9%
Public admin and defence	5,300	7%
Manufacturing	4,230	5%
Admin and support services	4,220	5%
Information and communication	3,730	5%
Construction	3,140	4%
Financial and insurance	2,160	3%
Transportation and storage	1,750	2%
Arts, ents, recreation	1,590	2%
Other service activities	1,540	2%
Water, sewage, waste	1,250	2%
Real estate activities	1,250	2%
TOTAL	**77,840**	**100%**

(Annual Business Enquiry Workplace Analysis 2008, NOMIS 2010. Does not include self-employed)

The table shows that the highest numbers of employment can be found in largely public sector activities (around 35% in total, across public administration, education, health, defence).

A large proportion of employment is also in retail and tourism-related activities such as accommodation services. The success of retail and tourism employment is no surprise, given Bath's World Heritage Status and international reputation as a tourism destination.

FOCUS: Retail, Tourism and Leisure

The retail, tourism and leisure sectors are particularly strong sectors in Bath and North East Somerset, comprising roughly 20% of employment in the District.

In 2007, the District received almost 4.5 million visitors, with 19% of these being staying trips. The total value of tourism is estimated to be around £330,000,000 (Source: Economic Impact Survey 2007 (sources UKTS - United Kingdom Tourism Survey, ELDVS – Day Visitor Survey, IPS – International Passenger Survey))

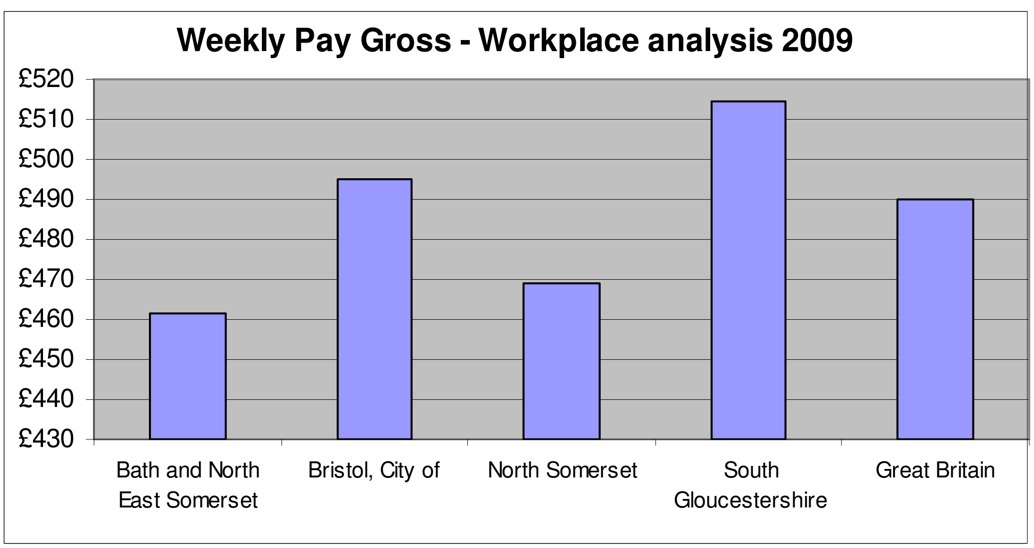
The centre for retailing in the District is Bath. With over 90,000sq m of floorspace and over 600 retail and service units, Bath has built a strong reputation for its high quality independent retail offer alongside national and international brands. This generates a unique character not present in other centres and virtually impossible to recreate.

Under the “Professional, Scientific and Technical activities” we have significant employment in architectural and engineering activities, management consultancy (including PR, and other consultative activities) and law. Within the “Information and Communication” industry, B&NES demonstrates significant employment in computer programming and consultancy, and publishing. Overall, private-sector, knowledge-based roles, comprise roughly 22% of employment.

Manufacturing remains a significant employer in the District, with good levels of “knowledge based” and higher value production, particularly in the design and manufacture of electrical equipment. Other sections of the manufacturing industry have seen reductions in employment recently (particularly in the Somer Valley and in Keynsham) and the statistics do not reflect job losses from 2008 onwards (see below).

Large amounts of employment in public sector and traditionally lower-wage activities is borne out by statistics on average workplace earnings Bath and North East Somerset (see figure 3 below). These are shown to be the lowest out of the four unitary authorities making up the sub-region.

Figure 3



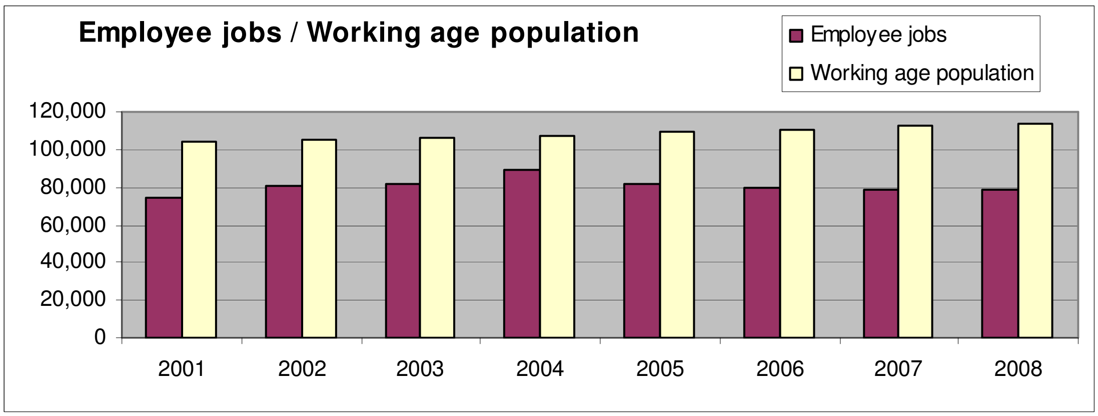
(source: Office for National Statistics Annual survey of hours and earnings 2009 – NOMIS)

EMPLOYMENT LEVELS AND JOB AVAILABILITY

Research shows that Bath and North East Somerset residents have experienced relatively low, and stable, levels of unemployment (based on those claiming Job Seekers' Allowance). At the time of the 2001 Census, Bath and North East Somerset's unemployment level was below all other benchmark economies except South Gloucestershire.

However**,** figure 4 below shows that the total number of jobs available in the Bath and North East Somerset economy has shown a downward trend, whilst - at least in the short-term - the working age population has continued to grow.

Figure 4



(source ABI Employee Analysis 2008 / ONS resident population estimates 2008)

The recession has certainly exacerbated the trend of job losses - between 2008 and 2009, the numbers seeking Job Seekers' Allowance in Bath and North East Somerset jumped from just over 1,000 people to 2,541 people (ONS statistics claimant counts August 2009). Losses have been reported in manufacturing, financial services and construction-related activities in particular. Some of these sectors will rebound quickly as the economy recovers, while others will grow more slowly than in the past.

Section 2 noted the challenge of shrinking public sector resources. The effects of this are yet to be seen, but it is likely that public services will be reshaped, potentially resulting in job losses. This will affect a key employment sector for B&NES, and particularly jobs in Bath and Keynsham.

The Ministry of Defence (MOD) currently has three establishments in Bath, at Foxhill, Ensleigh and Warminster Road, which currently house 1800 MOD personnel. Should the MOD choose to relocate jobs outside of Bath and North East Somerset, increased pressure may be put on transport infrastructure as more people will need to commute.

Manufacturing is a sector facing global over capacity. This, together with relatively poor transport connectivity, means the Midsomer Norton and Radstock area in particular is vulnerable to economic re-structuring. Already, job losses in manufacturing across the district include (or will include):

- Bath Press (Bath - roughly 250 jobs)
- Highgate Gears (Bath - roughly 120 jobs)
- Alcan (Midsomer Norton - roughly 220 jobs)
- Polestar (Paulton - roughly 450 jobs)
- Cadbury's (Keynsham – roughly 400 jobs).

Pockets of Deprivation

Evidence shows that Bath and North East Somerset has pockets of deprivation. Four areas within our District are within the most deprived 20% areas in the country, and Jobcentre Plus claimant counts show that the wards of Radstock, Walcot (including Snowhill), Twerton and Southdown are particular hotspots for unemployment. Each of these areas have their own specific needs and challenges which require targeted and tailored interventions.

Commuting patterns

The structure of the economy is inextricably linked with the volumes of traffic on our roads. A prevalence of lower-wage jobs across the District (and relatively high house prices) are contributing to in-commuting to jobs in the District. Recent research shows that incommuting mostly comprises of people working in health and social care, public administration and defence.

And although the District has a good base of more highly-paid business services or "knowledge-based" activities, research shows that levels of out-commuting in senior roles is relatively high – and particularly in financial and transport and communication roles (SQW, 2001 Census).

This conflicts with the principles of sustainability and government requirements for Bath and North East Somerset to reduce its carbon emissions.

PRODUCTIVITY AND COMPETITIVENESS

It is paramount that action is quickly taken to help protect existing jobs, but it is also important that the economy diversifies, that niche strengths are built upon, and focus is given to those sectors which are likely to see growth nationally and globally. We must also encourage growth in those sectors which are the most "productive". Productivity is a key concept used when analyzing how "competitive" economies are.

Why does productivity matter?

Competition

High productivity essentially means producing more value (broadly, a bigger value of sales) with a reduced cost of input (including raw materials). In recent times, we have seen how overseas competition has made life very difficult for some businesses, such as **some** types of manufacturing. This has led to jobs being located overseas, where businesses can run some types of operation more efficiently. Our own experience with the closure of the Cadbury's site in Keynsham unfortunately demonstrates this trend. Of course, this has implications for individuals and families working in these types of activities.

More productive businesses, sometimes called "high value" businesses, demonstrate more competitive advantage. They tend to use specialist knowledge and (normally less) materials which produce more value.

These types of businesses can compete not only on a local scale, but on a national and international scale. That is, generally speaking they can bring in income from *outside* any area, and are not dependent on indigenous trade alone. A healthy economy therefore relies on having the right amount of higher-value, competitive activities in it.

Standards of living

Improved productivity is also a key driver for economic growth and improvements in standards of living. If businesses are being more productive – that is, producing more goods and services with more efficient use of the materials available to them – costs to the customer can be lowered. This also helps to improve demand.

HOW COMPETITIVE ARE WE?

Gross Value Added “GVA” per full time equivalent worker is a useful measure of how ‘competitive’ an area’s economy is. Figure 5 below sets out B&NES’ GVA per full time equivalent worker in comparison with other economies in the South West. Despite being part of the Bristol – Bath “City Region”, Bath and North East Somerset has the lowest GVA per FTE worker of the four West of England Authorities.

Figure 5: GVA per FTE

Area	GVA per head
Bath and North East Somerset	42,500
Bristol	47,2000
South Gloucestershire	46,300
North Somerset	42,600

(source South West Observatory Econi – online 2009)

Figure 6 below shows the employee numbers, along with an **estimate** of productivity across broad industries (GWE Business West, 2010), then expressed by Gross Value Added per Full Time Equivalent employee - that is, how much value is generated per employee.

Figure 6: Employees by broad industry group (2008), Estimated Total per Broad Industry and GVA per FTE

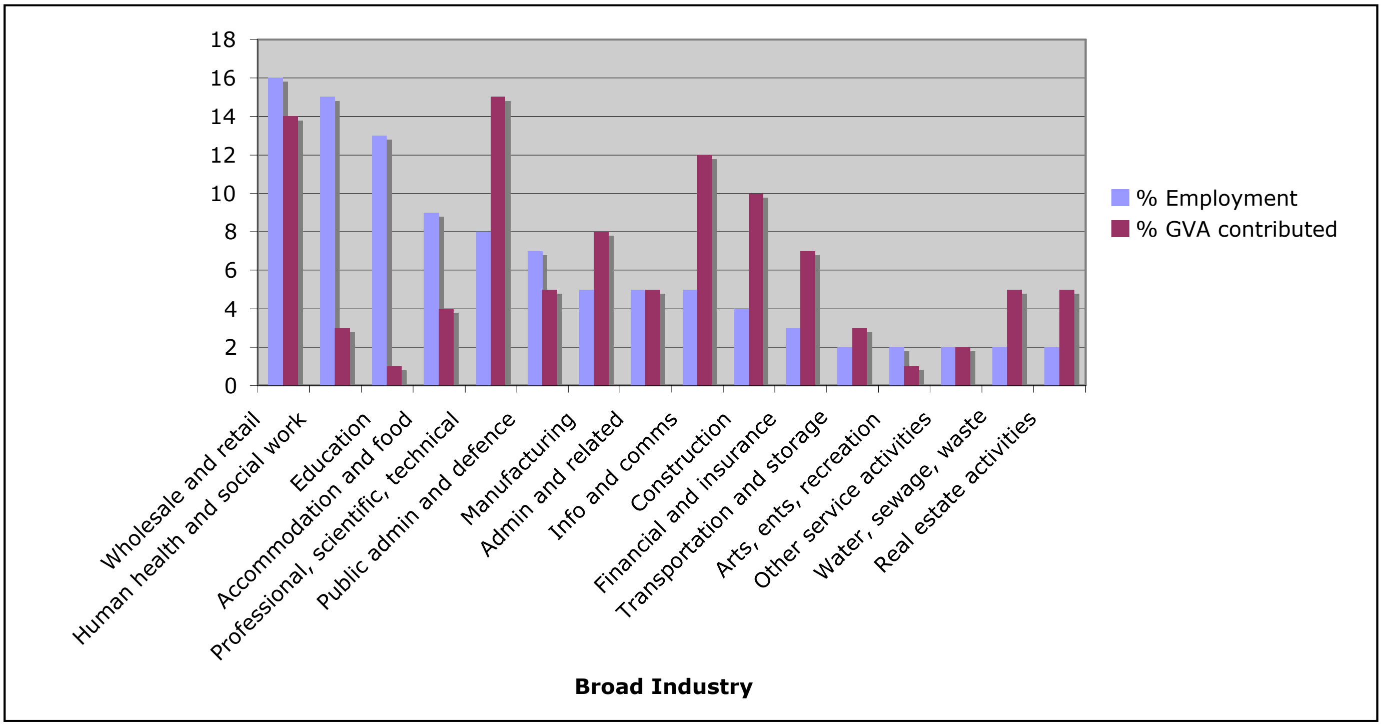
Jobs by industry	Employees*	% total	Estimated GVA	% total GVA	GVA per FTE
Wholesale and retail	12,450 (retail: 9,118)	16% (retail: 12%)	409,200,000	14%	£32,867
Human health and social work	11,660	15%	94,300,000	3%	£8,087
Education	10,350	13%	34,800,000	1%	£3,362
Accommodation and food	6,640	9%	118,500,000	4%	£17,846
Professional, scientific, technical	6,580	8%	446,800,000	15%	£67,903
Public admin and defence	5,300	7%	151,200,000	5%	£28,528
Manufacturing	4,230	5%	232,300,000	8%	£54,917
Admin and support services	4,220	5%	155,800,000	5%	£36,919
Information and communication	3,730	5%	353,800,000	12%	£94,853
Construction	3,140	4%	297,100,000	10%	£94,618
Financial and insurance	2,160	3%	219,800,000	7%	£101,759
Transportation and storage	1,750	2%	94,900,000	3%	£54,229
Arts, ents, recreation	1,590	2%	44,200,000	1%	£27,799
Other service activities	1,540	2%	51,300,000	2%	£33,312
Water, sewage, waste	1,250	2%	138,800,000	5%	£111,040
Real estate activities	1,250	2%	158,500,000	5%	£126,800
TOTAL	**77,840**	**100%**	**3,001,300,000**	**100%**	

*Sources: Employee numbers: Annual Business Enquiry Workplace Analysis 2008 (NOMIS 2010). Total GVA contributions are estimates (GWE Business West 2010). Does not include self-employed
**Table does not include agriculture, forestry, fishing (around 100 employees – data not available on GVA contribution).

It is clear that although some sectors employ a large percentage of the workforce, and a large proportion of GVA, the value produced by each worker – their productivity - is relatively low. This is true for retailing.

Figure 7 below demonstrates this pattern again. Broadly speaking, the most productive activities are office-based, “knowledge-driven” activities, such as professional, scientific and technical activities and information and communication activities **.**

<u>Figure 7: Employment and GVA by % of total, by broad industry</u>



Source: GVA figures: GWE Business West analysis of broad industry GVA 2010; employee numbers taken from the Annual Business Enquiry Workplace Analysis 2008 (NOMIS 2010).

PLATFORMS FOR SUCCESS

Architectural and engineering consultancy

This activity forms the majority of employment in the “Professional and Scientific” industry, employing some 2,570 people. Estimates suggest that this overall industry delivers the highest productivity to the local economy (see figure 7 above).

Technology-related activities

Recent research has shown that B&NES has particular strengths in technology-related fields. Figure 8 below shows particularly productive activities. The South West Regional Development Agency (SWRDA) estimates that “ICT” activities generated some £119m in GVA in 2007, even though the sector represents some 3% of total employment (Econ-i stats 2007).

Figure 8 – Employee, location quotient and GVA by activity

	Employee location quotient*	Employing unit location quotients	Total employees (including estimate of self-employed)	GVA contribution
Other information technology and computer service activities	2.13	1.3	960	£79,000,000
Computer programming activities	1.07	1.07	600	£42,000,000
Computer consultancy activities	0.7	1.06	600	£41,000,000

Source: GWE Business West, Report on the Information and Communication Industry in B&NES,2010.

*Example: an employee location quotient of 1.3 means that the activity demonstrates employment at 30% over the national average which equals one.

As the table above perhaps demonstrates, Bath is home to a cluster of large leading software consultancies, some of which operate internationally. Praxis High Integrity Systems provides critical systems and software solutions (and safety testing) for the defence, rail, aerospace and nuclear sectors. IPL, which employs around 250 people in Bath, also provides intelligent IT solutions to large customers across both the public and private sectors, including Orange. And AMDOCS (formerly Cramer Systems) is a truly international company, operating in Asia, the Americas and Europe, providing software for large telecommunications providers.
Increasing national regulation is helping to drive the development of lower or zero carbon solutions, processes and products. Bath is well-placed to take advantage of this trend.

Environmental / low carbon technologies

Although levels of employment are currently relatively low in this area (estimates suggest around 1,300 people), the sector has been shown to be highly productive, producing a GVA of £115,700 per employee (South West Observatory figures (2009).

The district is well placed to take advantage of the need to move towards a low-carbon world. Bath University is developing knowledge and ideas at its International Centre for the Environment (ICE). The South West Regional Development Agency has named this sector as a key growth sector for support, and the South West was recently named the UK's first Low Carbon Economic Area.

The area is home to leading entrepreneurial ventures in this field (such as 20C), and engineering and other consultancies who are developing low-carbon solutions to the climate change problem. A new network for the support and development of businesses involved in low carbon technology activities is run from the Innovation Centre in Bath (see box below).

FOCUS: Technology in Bath and North East Somerset – the Innovation Centre

Bath in particular is a hotbed of technological activity and innovation, and one of the area's most important assets is the Innovation Centre, run by Bath University. The centre incubates high-growth technology businesses – 10% of which are University spin-outs, and 90% of which are from the wider business community.

So far, estimates suggest that the centre has supported 65 companies, and generated £10m and 160 jobs for the Bath economy since 2003. The centre has recently expanded to incorporate conference and meeting space, and more incubation capacity.

At the centre, businesses can use the services of a dedicated business development team, and get access to "networks" which in turn offer access to investors, research, and businesses operating in the same field.

The centre is the focal point for three key business networks, described below:

- Silicon Southwest - The South West is Europe's premier location for semiconductor and wireless design start-ups
- Low Carbon Southwest – The South West has commercial and research strengths in wave, tide and wind power, sensors and bio-fuels. The network (run out of Bath Venture's Innovation Centre) is to become the South West's key network (or "i-Net") for business support and innovation in this field
- OpenMIC – the network for businesses involved in developing mobile applications.

Businesses who were incubated at the centre and who now operate in Bath include Mirifice (telecoms and broadcasting solutions, now employing 42 people), iPrinciples (Rich Internet Applications) and the Retention People (membership management solutions).

Creative Industries

Research also shows that B&NES has strengths in what are called the "Creative Industries". The South West Regional Development Agency (SWRDA) estimates that the Creative Industries generate some £183m in GVA in B&NES. A recent study (GWE Business West, 2010) suggests that some activities are particularly productive, and demonstrate over-representation in employment and business units.

Figure 9: Employee, location quotient and GVA by activity

	Employee location quotient	Employing unit location quotients	Total employees (including estimate of self-employed)	GVA contribution
Book publishing	2.5	2.97	240	£15,400,000
Publishing of journals and periodicals	7.56	3.08	1,320	£87,500,000
Motion picture projection activities	1.44	1.33	140	£2,800,000

Source: GWE Business West, Report on the Information and Communication Industry in B&NES, 2010.

FOCUS: The importance of the Creative Industries to Bath and North East Somerset

According to research by GWE Business West (2009) B&NES has the highest proportion of "creative industries" among all Upper Tier Local Authorities of creative industries in the South West – higher even than Bristol.

Under the South West Regional Development Agency's definition of the Creative Industries (which includes arts, crafts, media, and architectural and engineering activities), Bath and North East Somerset contains:

- 700 employing business units with 4,200 employees
- 2,500 further individuals in self-employment
- A total of 6,700 people reliant upon the Creative Industries for their livelihood
- 3,200 separate 'enterprises'
- Total Creative Industries enterprise turnover somewhere in the region of £800 million per annum.
- Media market leaders such as Future Publishing and Touch Productions are based in Bath.
- Creative Bath, a network for those involved in the creative industries, now has 700 members.

The UK Government has identified several key drivers of productivity, including skills, investment in infrastructure, and enterprise and innovation. An analysis of how competitive our economy is can be divided into these themes.

a) Skills

Education and training fuel innovation, investment, technological change, enterprise development, and economic diversification. More, but also **better** jobs, can be created, thereby improving general standards of living.

Improving the quality and availability of education and training is therefore essential to the wellbeing of individuals, as it affects the ability of individuals to take up well-paid work.

On average, B&NES residents are better qualified than residents based in other economies across the South West. 34% of residents have degree-level qualifications (compared with 28% regionally and 29% nationally – source, ONS annual population survey 2008).

Most of these highly skilled people live in Bath and the rural areas of B&NES; in these areas 30% of residents have an NVQ level of 4 or 5, and only a third of residents have no qualifications or an NVQ level 1 (ONS annual population survey 2008).

At the other end of the spectrum, around 7,200 B&NES residents of working age have no academic or vocational qualifications (6.7% of working age population). (Source – ONS annual population survey 2008).

Between 500-1000 under 18s are not in education, employment or training at any given time and despite educational achievement which exceeds national averages and most similar neighbours, one of our geographical areas is within the most deprived 5% for Education and Skills Deprivation (Indices of Multiple Deprivation, 2007, Communities and Local Government).

This has knock-on effects to health and wellbeing. Young people in the most deprived areas of the District are three times as likely to be obese compared to the population as a whole (Milner et.

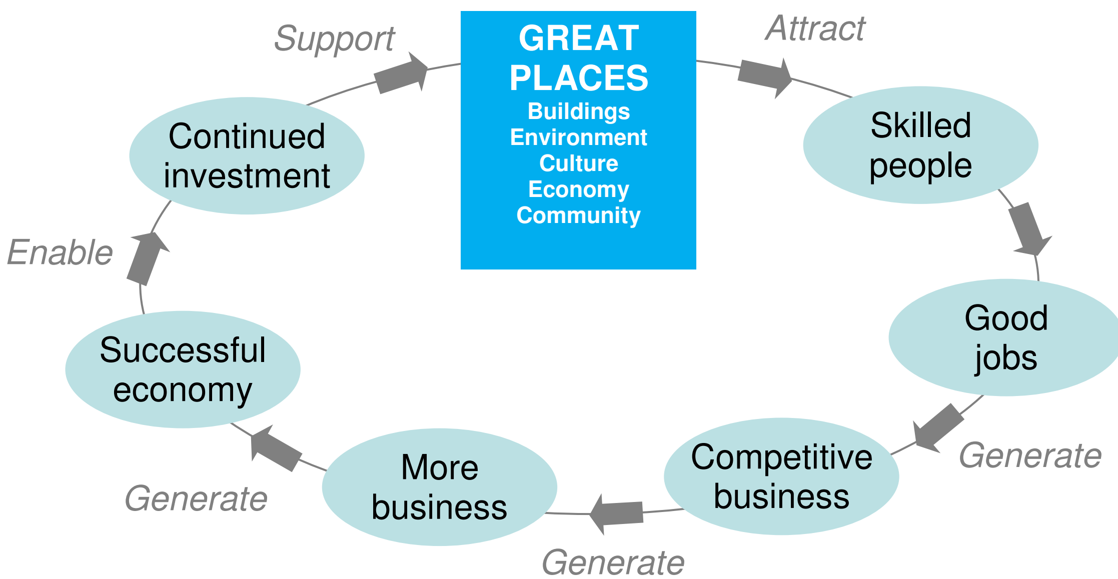
al Health Needs Assessment for Children and Young People in Bath and North East Somerset, 2008). Mental health is a significant issue for up to 35% of young people; however, this increases to 90% for those who are involved with the Criminal Justice system (Milner et. al Health Needs Assessment for Children and Young People in Bath and North East Somerset, 2008).

b) Infrastructure – and the importance of place

The more investment in physical capital – machinery, buildings, ICT infrastructure, and so on – the more workers have at their disposal, and generally the better they are able to do their jobs, thereby improving productivity.

The built environment and related quality of life in Bath and North East Somerset – particularly the historic atmosphere of Bath - is one of our key strengths. Businesses report it as a “Unique Selling Point” when attracting clients and employees. Figure 10 below demonstrates how a sense of place and quality of environment is of crucial importance to the development of a healthy economy.

Figure 10: Place and economy



Premises

However, lack of investment in the development of more modern buildings in B&NES has over the past decade inhibited business growth in the district, thereby inhibiting the total amount of jobs, and the quality of jobs, available locally.

We have already seen that an economy with a high proportion of lower-wage jobs is contributing towards a high commuting pattern outside of B&NES, which is having an adverse impact on the road network and environment.

Roger Tym and Partners (2008) state that modern office premises take-up is largely undertaken by professional, consultancy and creative services – high growth businesses. “Those requiring modern open-plan accommodation have had to compromise and resort to period, cellular accommodation; or alternatively relocate to nearby conurbations such as Bristol where such requirements can be comfortably satisfied.”

Regeneration Delivery Plans

The development of Regeneration Delivery Plans for will be critical in providing a certainty for developers looking to build new office space on sites. It is anticipated that these plans will be adopted as supplementary planning documents (in line with the Core Strategy) in 2011**.** **Infrastructure Delivery Planning** is also being undertaken by the Council, which seeks identify what infrastructure is needed to support growth and how it can be funded and provided.

Transport infrastructure

One of the key building blocks for economic prosperity is good transport infrastructure. Accessibility to sustainable transport allows access for employers to more employees. One of the District's key objectives is to release employment space by improving transport infrastructure to sites – particularly in Bath and Midsomer Norton and Radstock (for example, Old Mills). The Joint Local Transportation Plan 3 (JLTP3) sets out a longer term vision, looking ahead 20 - 30 years. In Bath (subject to final confirmation), links between the outskirts of the City and the City centre are due to benefit from improvements to public transport via the Bath Transportation Package.

c) Enterprise and Innovation

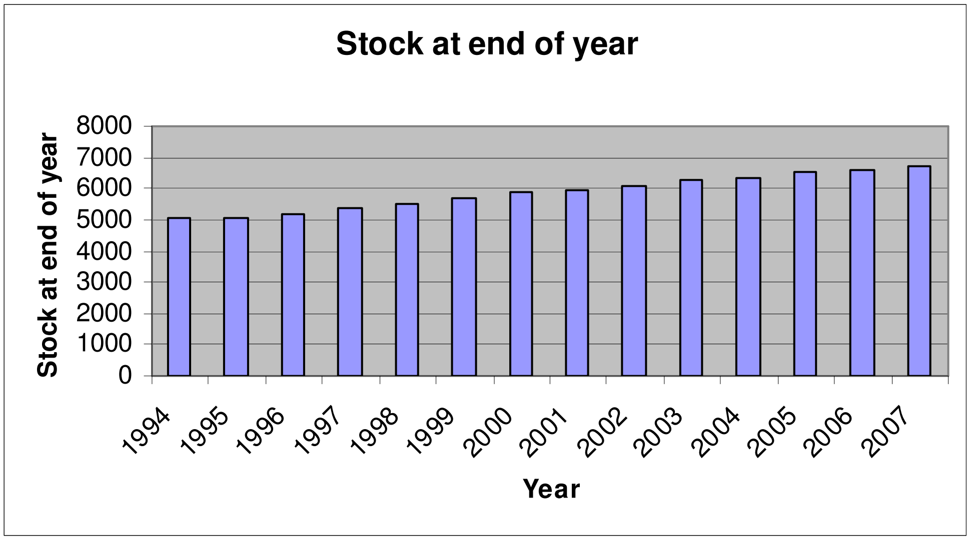
Productivity growth is largely driven by innovation: that is, the discovery, creation and commercialisation of new and improved products (goods or services) that consumers value. We saw above how rising incomes globally are forcing constant innovation upon British businesses – and also creating opportunities for new employment. Innovation has a close relationship with entrepreneurialism and business start-ups (below). But it is also vital to the survival of existing firms, both large and small. This is borne out by a 2009 survey by the Bath and Bristol Enterprise Network (which focuses on technology activities). It cites one of an entrepreneur's greatest challenges as undertaking market research and creating demand for innovative products and services.

Entrepreneurs are central to innovation, as they anticipate (and in some cases create) market demands, and develop new and better ways of meeting them.

B&NES has traditionally been a place of innovation and entrepreneurship, as describedabove. Roughly 15% of employed residents in the District are self-employed (Annual Population Survey 2008).

Figure 11 also shows Bath and North East Somerset has a growing stock of VAT-registered businesses, which in 2007 stood at 6,740.

Figure 11: Business stock at end of year

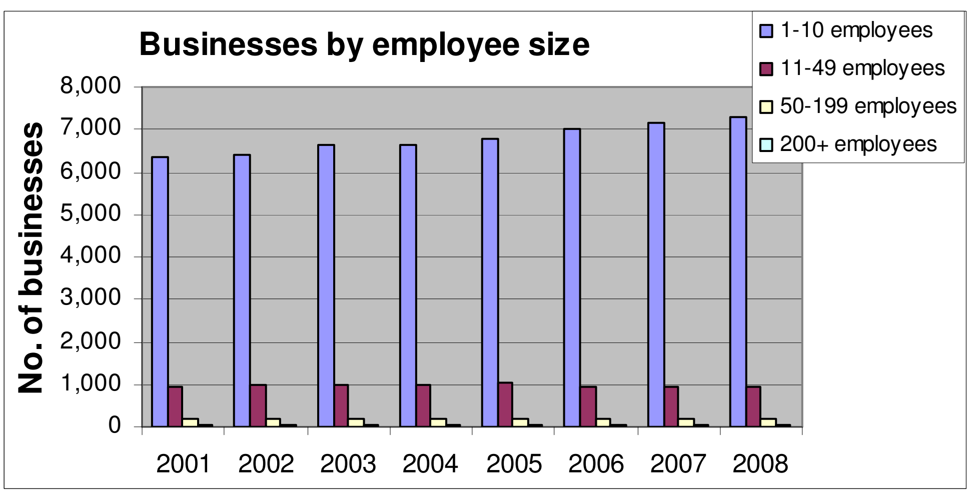


(source Nomis, VAT Registrations/De Registrations and stock 2007)

Roughly 15% of all employees are self-employed (12,150). The profile varied significantly as between sub-areas. In the rural areas, self-employed people accounted for 32% of the total number of employees (SQW 2010, from Census 2001 figures – latest available).

As figure 12 below shows, our economy is characterized by a large number of small businesses, with only a handful of employers employing more than 1,000 people (including Wessex Water and Future Publishing). Other large-scale employers are in the public sector, as discussed above.

Figure 12: Businesses by employee size



(Annual Business Inquiry 2008 – Work Place Analysis)

The role of our further and higher education sectors in driving innovation

Of critical significance to both innovation and entrepreneurship – and therefore economic growth - are the skills and knowledge being created at our Colleges and Universities. Leading local employers such as IPL, Praxis and picoChip have been developed by ex-graduates of Bath University. We must facilitate the effective commercialisation of ideas, in particular by ensuring that new entrepreneurs have the physical space to develop their ideas and network with like-minded entrepreneurs.

The table on the following page summarises B&NES' key strengths and weaknesses or barriers against each of these drivers of productivity. It also considers what the effects and interventions might be.

<u>PRODUCTIVITY: OUR STRENGTHS AND OPPORTUNITIES:</u>

SKILLS

- A strong local further and higher education sector, as well as excellent local training providers

- Highly skilled residential population

PLACE AND INFRASTRUCTURE

- Bath in particular has a strong "brand" thanks to its unique heritage, and businesses report benefits in terms of client attraction (particularly overseas clients)

- Employment sites are available in major City and town centres

INNOVATION AND ENTREPRENEURSHIP

- Strong independent business

- High levels of business start-up

- High levels of innovation and knowledge locally – a well-qualified workforce

- A cluster of leading international innovators – across manufacturing and the knowledge industries (for example, Rotork, picoChip, Buro Happold, Praxis, Touch Productions).

- Strong Further and Higher Education sectors developing exciting research and increasingly being driven by the need to prove the link between research and job creation.

- Existing business networks (Creative Bath, Bath and Bristol Enterprise Network, Low Carbon Southwest) which foster networking and learning.

<u>PRODUCTIVITY: OUR WEAKNESSES / THREATS:</u>

SKILLS

- Proportion of Bath and North East Somerset residential population in bottom 5% of country's educational standards.

PLACE AND INFRASTRUCTURE

- Lack of modern, open plan commercial premises currently available in the market (lack of development)

- Traffic congestion

INNOVATION AND ENTREPRENEURSHIP

- Small pool of knowledge-based jobs for graduates seeking employment locally.

- Lack of flexible and affordable premises available for entrepreneurs who do not wish to work at home.

5. THE STRATEGY FOR ACTION

This strategy aims to improve the prosperity and wellbeing of Bath and North East Somerset residents via a more productive, competitive and expanded economy.

Sections 1 and 2 identified existing problems in the B&NES economy which need to be addressed. In particular:

- A downward trend in the number of jobs available, but a continued increase at least in the short term of the working population
- An undersupply of modern workspace, increase in congestion, and the need for public realm and transport improvements within the city
- In-commuting and pressure on the environment thanks to a prevalence of lower-wage jobs in the area, and out-commuting exacerbated in particular by a lack of availability of business premises. This will become increasingly difficult to sustain with increasing fuel scarcity.

Growth vs sustainability?

The need to expand the economy, set against the need to urgently tackle climate change and our impact on levels natural resources, presents a huge challenge. International and national policy will need to provide the conditions for a step-change in behaviour.

On a local level, we must ensure that growth *is not at any cost,* and that our strategy targets the right *kind* of jobs, in the right *places.* The Sustainable Community Strategy sets a carbon reduction target of 45% by 2026.

This strategy will make a critical contribution towards this goal. Contribution towards this could be made at all wage levels in all areas of the district – for example, assessing the contribution the rural areas could make towards renewable energy and local food growing.

As set out in Section 2, we have seen how economic growth has been "fed" by use of the world's natural resources. Whilst it is generally accepted that growth produces increases in standards of living, it is critical that growth and use of resources are "decoupled" as far as possible.

Narrowing the gap

Section 4 set out our potential for growth in knowledge-based, higher-value jobs. However, building a more productive economy does not just mean providing high-wage jobs for highly skilled people. In growing the number of office-based jobs locally, we are likely to see an increase in the number of support services and other activities located in the area. This strategy recognizes the need to build an economy with a range of employment across all wage levels and across a balance of activities.

In building a more productive economy, it is critical that the area retains, for example, a strong retail sector, in order to attract and retain other businesses.

Furthermore, this strategy looks to target efforts to ensure that the population is adequately skilled and able to take part in the full range of opportunities offered by an expanded economy (see below).

The strategy for action focuses on protecting and creating jobs, supported in particular (but not exclusively) by a focus on skills development, and provision of more business premises.

1. JOBS GROWTH

The Regional Spatial Strategy

At the time of writing (August 2009), the Draft Regional Spatial Strategy (RSS) estimates that provision must be made for **17,000 new jobs** in the Bath Travel to Work area (Bath, Midsomer Norton and Radstock, and Frome – Mendip Council). The Core Strategy provides a spatial framework for the location of these jobs across the district.

a) Protecting existing jobs (business support)

Although B&NES has seen a loss of businesses and jobs, other businesses are innovating and adapting to survive, as they have always done. Efforts must be made to ensure that businesses are aware of government support and resources available to help them adapt.

We must protect and retain manufacturing space within B&NES so that the area has a balanced economy offering a range of employment opportunities, the economy in the Somer Valley is underpinned, and support services are provided to the economy as it expands.

The strong retail, tourism and leisure sector, which has in recent times helped to underpin the B&NES economy, provides a large proportion of jobs in B&NES and must also be supported / maintained.

b) Encouraging the growth of existing productive sectors

This document has shown how certain sectors in B&NES are particularly "productive". Economists are in agreement that increased productivity is the key driver for improved living standards. These activities include:

- Architectural and engineering activities;
- Technology-related activities, particularly computer software development and consultancy;
- Publishing
- Sound recording;
- Environmental technologies.

c) Encouraging the growth of globally important sectors locally

The area should also seek to investigate and support activity in emerging sectors which will have a positive impact on the environment, and / or increasingly significant markets, such as:

- Activities responding to the low-carbon challenge;

With Government targets to cut carbon dioxide emissions 80% by 2050, the demand for low carbon goods and services will create many new jobs – in building, electrical, plumbing, forestry, and so on, as well as in businesses developing hi-tech solutions.

The drive towards renewable energy, including biomass energy, could create a strong local supply chain.

- Health and Wellbeing / biomedical technologies;

The health, wellbeing and biomedical sector in particular provides a good "fit" for the B&NES area, given the area's long history and reputation in treating the sick. In more recent times, Bath in particular has developed a national reputation for academic expertise in biomedical science, rehabilitation and rheumatology, complementary medicine, world class sports and fitness, and high quality health spas. This strategy seeks to identify and exploit opportunities in both promoting and developing this sector locally, linking in with structures such as the regional biotechnological "i-Net" for business support and innovation.

2 IMPROVEMENTS TO SKILL LEVELS / IDENTIFICATION OF NEW SKILLS REQUIRED

A good blend of academic and vocational skills will be critical to the future success of Bath and North East Somerset and its population.

This strategy is published against a backdrop of significant change in the skills sector as a result of; legislation, policy directive and organisational restructuring. New commissioning and procurement structures and strategic bodies are emerging. The newly formed West of England Employment and Competitiveness Board (ESB) will form a key link to national funding policy.

We will support the development of collaborative activity between training providers and the Further and Higher education sectors to promote joined up working. This should increase local training opportunities and encourage progression pathways throughout the sector, helping to provide the 'skills ladder' needed within the local economy. And, work to retain a full local curriculum in the face of increased competition.

Sector and employer engagement is critical to generate demand for skills and workforce development. During the life of this Strategy we will establish links and working arrangements with the Sector Skills Councils. We will particularly focus on those Sector Skills Councils which represent;

- Business and Information Technology, including Software, Internet &Web, IT Services, Telecommunications and Business Change - **e-skills uk**
- Manufacturing, science-based, biotechnologies - **SEMTA**
- Environment and Land-based – **Lantra**
- Hospitality, Leisure, Travel and Tourism - **People 1st**
- Retail - **Skillsmart - Retail**

The importance of networks

A key action within this Strategy will be to identify and add value to existing local, sub-regional and regional sector networks (such as The Bath and Bristol Enterprise Network and Low Carbon Southwest). These networks are a vital source of support, information and guidance for growing businesses and therefore contribute to skills development.

3 IMPROVING AVAILABILITY OF PREMISES

The commercialization of knowledge, and business growth, will only occur on the scale required (17,000 jobs according to the Regional Spatial Strategy) if businesses have the space to move into and grow.

This space must be appropriate for, and attractive to, those types of businesses we wish to grow locally. For example, space for arts and creative businesses can be more informal, industrial, or "second hand". Consideration must be given to creating a creative and technology "hub", which could build on the existing work being done by the Innovation Centre in Bath. Since one of our priorities is to build the environmental technologies sector locally, a site could be allocated for a zero-carbon "hub".

Where feasible, the Council should use assets more creatively to facilitate the set-up of more incubation hubs and managed business space – which can start small and build momentum over the years.

It is intended that this Economic Strategy will influence the policy framework to allow B&NES to deliver a greater diversity of employment space across the District. The development of the Core Strategy, supporting Regeneration Delivery Plans, and other associated planning policy will be crucial in delivering economic change. Through this work, an overall strategic plan is being developed for its city centre sites to give clarity on future use and the timing of development.

LOCATIONS FOR GROWTH

The Core Strategy provides a policy framework for the location of future employment growth throughout the district. The main urban centres of Bath, Keynsham, Midsomer Norton and Radstock, will be the principal locations for future employment growth, and could collectively deliver up to 85% of the 17,000 new jobs required by the Regional Spatial Strategy. However, the rural areas of the District could also make a central contribution to providing more local supply chains, for example in food and energy production.

A greater role will have to be taken by partners to promote each area as a location for business investment. Therefore this strategy places an emphasis on developing a strategy and materials for promoting development and investment.

Bath

To satisfy business growth requirements will require the provision of modern business, leisure and retail space, together with expanded tourism and cultural facilities in new commercial districts in or on the edge of an expanded city centre.

Bath is a particularly popular location for firms involved in high-technology and creative industry activities, and partners should undertake targeted activity to promote business investment from such firms.

More enterprise “hubs” should be encouraged in Bath, providing a range of accommodation for small and medium sized companies.

Keynsham

Keynsham’s location in the Bristol/Bath green belt means opportunities to expand the town are both restricted and sensitive and have led to over 60% of the working age residents commuting out of the town to work.

Further residential expansion in Keynsham is planned. To maintain Keynsham as a viable, sustainable market town there is an urgent need to build on its strategic location and transport links to expand and diversify the local employment base. This should help to reduce current out-commuting, and will help to replace the jobs being lost at Cadbury (scheduled to close in 2011).

A targeted inward investment plan should be put together for Keynsham, in order to raise its profile as a future potential alternative office location to Bristol, as the area has good transport links.

The Somer Valley

The Somer Valley is vulnerable to economic re-structuring, due to the area’s industrial background, and its relatively poor transport infrastructure.

Housing growth in the area since about 1991 has not been matched by increases in local employment and out-commuting has steadily increased and now stands at over 60% of the working age population. Further housing growth will increase the pressure for the redevelopment of brownfield sites, including older employment areas.

The Somer Valley needs to expand its employment base to offset further housing growth and prevent further increases in out-commuting. It should build on the stock of successful industrial estates to enable the expansion of the base of small manufacturing and precision engineering companies. The area is also home to a diverse range of small “support service” firms. New employment space should also help to diversify the local economy by providing premises for new service sector employment focused on the market towns of Midsomer Norton and Radstock.

Again, to complement and support employment sites coming forward in this area, an inward investment plan should be put together for the Somer Valley, based on the characteristics of the local business community. Business support packages should also encourage indigenous business growth in the area.

The rural areas of Bath and North East Somerset

This strategy recognizes the part that our smaller settlements have to play in the District's economy. Entrepreneurialism in these areas should be supported through, for example, improving broadband speed and mobile coverage. As set out in the Core Strategy, the rural areas could potentially play a crucial role in activities such as local food production, and for producing renewable energy in the form of biomass.

In summary, our strategy is to create:

JOBS GROWTH, which:

- Favours more value than volume, offering more opportunities in more productive / growth sectors
- Builds on local distinctiveness
- Builds on existing strengths

Supported by:

- An improvement in **basic skills** and the identification of skills required by **growth sectors**
- Appropriate policy frameworks for the creation of **more business premises** across the District
- Continuation and extension of **business support activities,** including the support of sector networks

Leading to:

- **Increased employment opportunities** and improvement in living standards / contribution to society
- A **reduction in carbon emissions**
- A more diverse economy which is **better protected** against future economic shifts

ACTIONS AND ACTIVITIES

The next section will set out the particular actions which will help to achieve economic growth and an improvement in the prosperity of B&NES residents. The section will begin with 7 priority actions for delivery.

PRIORITY ACTIONS 2010 - 2013

	OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
EMPLOYABILITY & SKILLS					
1	To ensure B&NES contains a "talent pool" appropriate to the needs of key and growth sectors (for example, businesses involved in low carbon-related activities).	Identify skills gaps / needs for employers by undertaking sector-based surveys (see business support section). Align 14-19 Strategic Plan to local and sub-regional Employability and Skills Plan, priority proposals. Identify and improve existing training and skills "progression pathways" between FE and HE sectors currently available for growth sectors and identify gaps. Develop appropriate curricula to meet growth sector needs, ensuring links to and support from subregional commissioning. Link with Jobcentre Plus and other partners (e.g. business support agencies) to promote skills packages to the individuals and to employers.	A set of coherent skills and training packages for the local population and for employers. New training available from level 1 through to level 4 to meet growth sector needs. Appropriate training commissioned to meet local needs Promotion of coherent packages.	Levels of worklessness / young people not in education employment and training reduced with resultant improvement in standards of living. Skilled workforce able to meet sector growth needs. B&NES as an extremely competitive location for key and growth sectors.	Council with Employment and Competitiveness Board, Learning and Skills Partnership, Jobcentreplus and local partners
BUSINESS PREMISES & INFRASTRUCTURE					

2	Facilitate new city centre commercial quarters in Bath	Establish a development framework & delivery plan with a particular focus on Manvers Street, Bath Quays & Avon Street and BWR East sites.	Development commenced on Bath Quays Overall on completion • 760 dwellings • 28,000 sqm of employment space 1500 jobs	An increase in the number of higher-waged, higher-skilled "knowledge" based jobs available locally. Increased productivity and competitiveness.	B&NES Council
3	Bring forward new employment space in the Market Towns	Establish a development framework & delivery plan for: • Somerdale Keynsham • Old Mills MSN	Development commenced on Somerdale & Old Mills. Overall on completion • 500 dwellings • 80,000 sqm of employment space • 2800 jobs	An increase in the number and diversity of jobs available locally. A reduction in the levels of out-commuting from this area and related contribution to lowering carbon emissions.	B&NES Council
BUSINESS SUPPORT & DEVELOPMENT					
4	Maintain the delivery of business support services to new and existing companies in Bath & N. E. Somerset.	Complete and monitor delivery of a new commissioned business support package. Integrate business support with local training and development offer as a partnership with key stakeholders.	• 4000+ businesses supported • 250+ new business starts • 200+ businesses intensively assisted • Increased number of training hours	Businesses are supported through the recession and onwards, and jobs are better protected locally.	B&NES Council / Local business representatives and networks / GWE Business West / training providers.

			delivered to employers by providers		
5	To facilitate the growth of key knowledge-based sectors locally.	To map and understand in more detail the local situation in the following sectors: • Information and Communication technology (ICT) • Environmental / low-carbon technologies and activities • Health and Wellbeing / Biotechnology and Biomedical Identify the opportunities for potential further growth sector network support.	Intelligence report/s on each sector. 10 key sector businesses per quarter are met as part of business liaison work to discuss needs / strategies for support. x4 local networking events / projects run by existing networks in the above sectors supported Ensure that a "growth sector" section is included in the Annual Business Liaison report (see below) Additional business support delivered to companies in the following key sectors (see point 4 above) : • Creative industries • ICT • Environmental technologies • Health & Well Being / Biotechnology	Business support and skills policies are informed, and help businesses in these key areas develop and offer more employment opportunities.	Council, local business community, business support provider, further education colleges, Universities.

6	Support the Retailing & Tourism sectors in Bath	Implement priority recommendations of the Retail and Visitor Accommodation Studies Review training offer available in Retail and Tourism locally and identify gaps and develop curricula (in consultation with Sector Skills Council) to meet these gaps.	• An action plan to support independent traders • A Business Improvement District proposal for Bath City Centre • A hotel investment plan • A proactive policy approach in the Core Strategy to visitor accommodation	Strong retail and tourism offer of the area is maintained – again, helping to protect businesses and jobs.	Future Bath Plus, Learning Partnership, Council
PROMOTING INVESTMENT					
7	Targeted promotion to relevant industries of each major urban area as a location for business or appropriate government activity.	Establish a strategic framework for inward investment activity.	Inward investment plans and materials for our major urban areas, based on key local characteristics and business strengths (such as our potential to grow technology firms in Bath). ○ Keynsham ○ Somer Valley ○ Bath	Increased investment and jobs growth in area.	Future Bath Plus / Council

SUPPORTING ACTIONS
SKILLS

OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
To improve employability and reduce worklessness in *geographical areas* with high levels of worklessness.	Annually undertake a worklessness assessment as part of the development of a sub-regional Skills Plans To work with partners to develop a joint package for affected wards, to include soft skills and basic skills qualifications, and investigation into the role social enterprises could play in reducing unemployment and increasing skills levels. Publish local area joint working plan.	Individual 'Improve Employability' plans to roll out in specific geographic areas across B&NES, for example, the Walcot and Snowhill / London Road area, developed by key stakeholders and jointly promoted. Plan linked into annual sub-regional Skills Plan and commissioning proposals. Increase % of population with Level 2 skills levels in targeted wards.	More people equipped with basic employability skills. Higher qualification levels in target wards. Decrease in worklessness within target wards.	Learning and Skills Partnership members including; Council, Jobcentre Plus
To improve employability and reduce worklessness in *disadvantaged groups* (e.g. learning difficulties, care leavers, ex-offenders, etc).	Annually undertake a worklessness assessment of disadvantaged groups as part of the development of a sub-regional Skills Plan. Identify of changes which need to be made to improve access to employment and training.	An 'Improve Life Chances' plan for disadvantaged groups in B&NES developed and implemented by stakeholders. Plan linked into annual sub-regional Skills Plan and commissioning proposals	Increase in disadvantaged groups in work. Increase in funded, flexible training offer targeted at disadvantaged group.	Learning and Skills Partnership members With specialist leads (as appropriate) OLASS (Offenders Learning and Skills Service) Learning Difficulties Transitions Board, Children's Services (Young People in Care Team)
To ensure older	Commission / undertake an	A plan to 'Improve the Economic	Increase in economic activity of	Learning and Skills

people are equipped with the right skills to remain in the workforce	analysis of barriers to work and training for older people in B&NES and identify possible actions to improve access to training and work. Consult with employers on ways of breaking down barriers.	Well-Being of Older People in B&NES', including curriculum developed and implemented by stakeholders. Plan linked into annual sub-regional Skills Plan and commissioning proposals	over 50s Increase in flexible-training opportunities for over 50s and in take-up of these opportunities	Partnership members with Employers and Business Support Services
To encourage and support business start-ups in the District.	Develop and monitor (feedback to influence programme development) with key stakeholders a coherent curriculum to promote entrepreneurship and enterprise training and jointly promote this, including the proposed new 'Qualify with a Business' programme.	Actions set out in business support service level agreement to support this (see business support supporting actions). Training providers offer a jointly planned and promoted curriculum.	Jobs growth, Business start up	Council, GWE Business West, With support from Colleges, Universities, Training Providers
To increase the number of graduates working with local employers	Promote sectors / employers and opportunities available in B&NES to students and graduates. Improve local employer knowledge of how the further and higher education sector can support business Commission information to improve understanding of graduate employment trends.	Promote annual careers fair / event for students with employer, jobsearch and workshop element. Actions identified to improve numbers of students/graduates working with local employers. Rise in number of students/graduate working with local employers. .	Better integration of the skills and knowledge being developed at our Colleges and Universities with local employer needs and recruitment.	Council with Connexions, Nextstep, Universities, Colleges, Training Providers.

	Identify actions required to encourage graduate retention. Work with Children's Services and FE Colleges on the development of local University Technical College for 14-19 year olds.			
Drive local employment creation.	Scope local employment opportunities within all major projects.	S106 Agreements to include support for local training opportunities and related infrastructure arising from employment opportunities within key site developments and linkages to sub-regional Skills Plans	Additional local employment opportunities Increased use of local labour	Council
	Co-ordinate West of England Future Jobs Fund in Bath and North East Somerset Promote the available government-funded apprenticeship schemes and other relevant schemes.	Additional work opportunities for 18-24 year olds. 150 additional jobs created.	Reduced unemployment amongst 18-24 year olds	Council and Partners

BUSINESS PREMISES AND INFRASTRUCTURE

	OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
1	Create new city centre and edge of centre commercial quarters in Bath.	Prepare a Regeneration Delivery Plan for Bath city centre. Identify the training and skills needs which will be required to underpin the delivery plan.	Key sites in Bath City Riverside Corridor brought forward for development. Delivery of:- • 100,000sqm of modern	More competitive location for development of growth sectors, with related job creation. Increased productivity and competitiveness.	Council Learning and Skills Partnership

			office space • 23,000sqm of new retail space • A new cultural / conference centre venue • 600 new visitor bedspaces • Up to 5,000 new jobs • Appropriate training		
2	Bring forward new employment space in Midsomer Norton and Radstock town centres and identify a new strategic employment location in the Somer Valley.	Prepare a Regeneration Delivery Plan covering Midsomer Norton and Radstock town centres. • Develop a Masterplan for employment land at Old Mills. • Identify the training and skills needs which will be required to underpin the delivery plan.	Key sites brought forward for development. Delivery of:- • 9,000sqm of new office space • 3,500sqm of new retail space • 40,000sqm of new light and general industrial space • Up to 2,200 new jobs • Appropriate training to support jobs.	An increase in the number and diversity of jobs available locally. A reduction in the levels of out-commuting from this area and related contribution to lowering carbon emissions.	Council Learning and Skills Partnership
3	Bring forward new employment space in Keynsham town centre and at Cadbury Somerdale.	Prepare a Regeneration Delivery Plan covering Keynsham town centre and Cadbury Somerdale. Identify the training and skills needs which will be required to underpin the delivery plan.	Key sites brought forward for development. Delivery of:- • 30,000sqm of new office space. • 10,000sqm for creative industries. • 9,500sqm of new retail space.	An increase in the number and diversity of jobs available locally. A reduction in the levels of out-commuting from this area and related contribution to	Council Learning and Skills Partnership

			• Up 2,300 new jobs • Appropriate training to support jobs.	lowering carbon emissions.	
4	Manage the loss of existing business space across B&NES.	Prepare Business Displacement Strategy. Develop Re-use Strategy for MOD sites in Bath.	• Identification of preferred locational strategy for replacement business space. • Identification of 'core' MOD site in Bath. • Delivery of 80,000sqm of replacement business space.	Jobs safeguarded in the District.	Council, Business Support provider
5	Promote knowledge transfer and the creation of knowledge-based university spin-out companies.	Develop Action Plan for the provision of additional incubation space in Bath.	Agreed proposal for creation of additional incubation space. Delivery of 4,000sqm of additional incubation space	Availability of premises for start-up businesses. Job creation and innovation.	Council .
6	Provide additional managed workspace to facilitate the growth of small companies.	Develop an Action Plan for the provision of additional managed workspace in B&NES and link this to a curriculum to support entrepreneurship.	Engagement of managed workspace providers in delivering schemes. Delivery of 5,000sqm of additional managed workspace.	Availability of premises for small businesses. Job creation and innovation	Council
7	Provision of high capacity digital infrastructure on key employment sites.	Prepare ICT Infrastructure Strategy	Framework for market-led provision of ICT to specific	More competitive location for development of growth sectors, with related job	Council

			sites. High band width ICT infrastructure delivered to new office floorspace.	creation.	

BUSINESS SUPPORT AND DEVELOPMENT

	OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
1	To reaffirm the working relationship between the Council and the business community.	Create a business charter.	A business charter, signed up to by Council, key partners, individual businesses and networks	Businesses supported in working more effectively / efficiently.	Council / businesses and networks including Chambers and FSB and Learning and Skills Partnership
2	To be well-informed about business' support needs (not sector-specific)	Quarterly business surveys of GWE Business West, Bath Chamber of Commerce and FSB members, to include 75 additional businesses to be nominated by B&NES Council and with input from training providers and their Sector Skills Councils on their analyses of business training needs. Quarterly attendance at case conference meetings	Quarterly summaries of business support needs.	Appropriate business support offered with resulting potential for job protection and creation.	Business support provider Training Providers/Sector Skills Councils
3	To increase business formation and start-up rates and to	• To advise 1,000 businesses per annum across B&NES		Appropriate business support	Business

	provide support to existing businesses	• To achieve a minimum business start level of 75 per year. • To maintain and publicise a weekly programme of free Specialist Advice Clinics to be delivered from the GWE Business West Bath office. • To provide appropriate and coherent training offer to local businesses and entrepreneurs.	• Quarterly reports on levels of business support and advice given • An annual summary of business support and advice given	offered with resulting potential for job protection and creation.	support provider Training Providers
4	To help businesses identify and plan for climate change and fuel and energy shortages.	• To identify and work with an expert partner to deliver risk analysis to small and medium enterprises.	• Service offered to local business population	Contribution to a better-prepared and informed business community about the risks of climate change and resource scarcity.	Environmental Sustainability Partnership with expert partner
5	To help businesses deal with the impact of the recent recession.	• To promote and deliver, subject to demand, a <u>quarterly</u> programme of Credit Crunch Clinics providing B&NES businesses with one to one access to business advisers covering all key aspects of running and managing a business • To deliver a public sector “meet the buyer” event • To support sub-regional and local rapid response activity businesses dealing with medium to large scale redundancies, to include a coherent package of support and training for	• Quarterly reports on levels of business support and advice given • Event to promote public sector procurement to local businesses	Appropriate business support offered with resulting potential for job protection and creation.	Council with Business support provider, West at Work Action Group

		employees.			

ECONOMIC INTELLIGENCE

	OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
1	Undertake economic monitoring and intelligence gathering in order for the Council to fulfil statutory duties under the Housing and Local Government Act 2008 and to actively monitor progress on Economic Strategy outcomes.	• Preparation of an Annual Economic Assessment. • Publication of an annual Economic Report and quarterly Monitoring Bulletins.	An annual Economic Assessment of the District.	An up-to-date understanding of the performance of the economy and issues affecting business growth, helping to protect jobs	Council
2	Improve understanding of business needs and priorities locally by gathering first-hand evidence.	Attendance at business network events, business liaison visits and actions. See also “key sector” section within business support section. Engage Training Providers, FE and HE in Skills Gap Analysis.	• Undertake Annual Business Survey • Carry out at least 80 business liaison visits per year • Undertake 50 business projects as a result of business liaison visits • Quarterly business networking sessions, with minimum of 10 businesses present at each breakfast. • Attendance by the Council at least 6 business network-led events. • Production of Annual Report on business liaison and survey.	An up-to-date understanding of the issues affecting businesses. A stronger direct relationship between the Council and businesses. Businesses are given a point of liaison within the Council in the form of EEB.	Council, business support provider

3	Carry out active ongoing monitoring of progress on the Council's LAA and the WofE MAA.	Establish agreed Monitoring Framework with GOSW and key delivery partners.	Quarterly Monitoring Reports. • Achievement of LAA 'stretch' targets. • Informed input into LAA/MAA refresh.		Council and key delivery partners.
4	Ensure effective and efficient use and gathering of economic intelligence.	• Undertake annual Economic Assessment • Engage with WofE Observatory and Policy and Partnerships Service internally. • Participate in Network Groups.	Agreed arrangements for data gathering and monitoring.	Reduced duplication of data gathering and efficient use of data sources.	Council and partners.

PROMOTING INVESTMENT

	OBJECTIVE	ACTION	OUTPUT	OUTCOME	LEAD
1	Promote B&NES as a location for inward business investment to assist in achieving future employment growth targets.	• Develop an Inward Investment website. • Produce a range of inward investment materials reflecting design/ content/ image/ of website and focusing on different areas within B&NES • Identification of external inward investors and active promotion of the area as a business location • Ongoing monitoring of inward investment locations and jobs.	• A comprehensive functional website to promote B&NES to potential business investors. • A flexible portfolio of material for use with individual investment enquiries, promoting the benefits of different locations (Keynsham, Somer Valley, Bath) • An annual report on inward investment	Increased investment and jobs in the area.	Council, Future Bath Plus, Business networks

			activity.		
2	Develop links with other countries to promote economic and business initiatives.	Produce an International Relations Activity Plan and review annually.	A framework for exploring initiatives on international trade, business partnering and technology transfer.	A better understanding of municipal government in other countries and approaches to funding, governance, economic and business support.	Council, Future Bath Plus

MONITORING AND MEASURING SUCCESS

This strategy's action plan will contribute towards delivering the aims and objectives set out in the Sustainable Community Strategy, the overarching vision for the District.

A short annual report will be produced by the Sustainable Growth Alliance on progress against the *outputs* column set out in this document's action plan.

However, it is also important that we try to measure and monitor the development of the economy, and how far we are moving towards our stated outcomes.

The annual report will therefore provide a summary of the "state of play" of the economy, in the form of the measures in the following table.

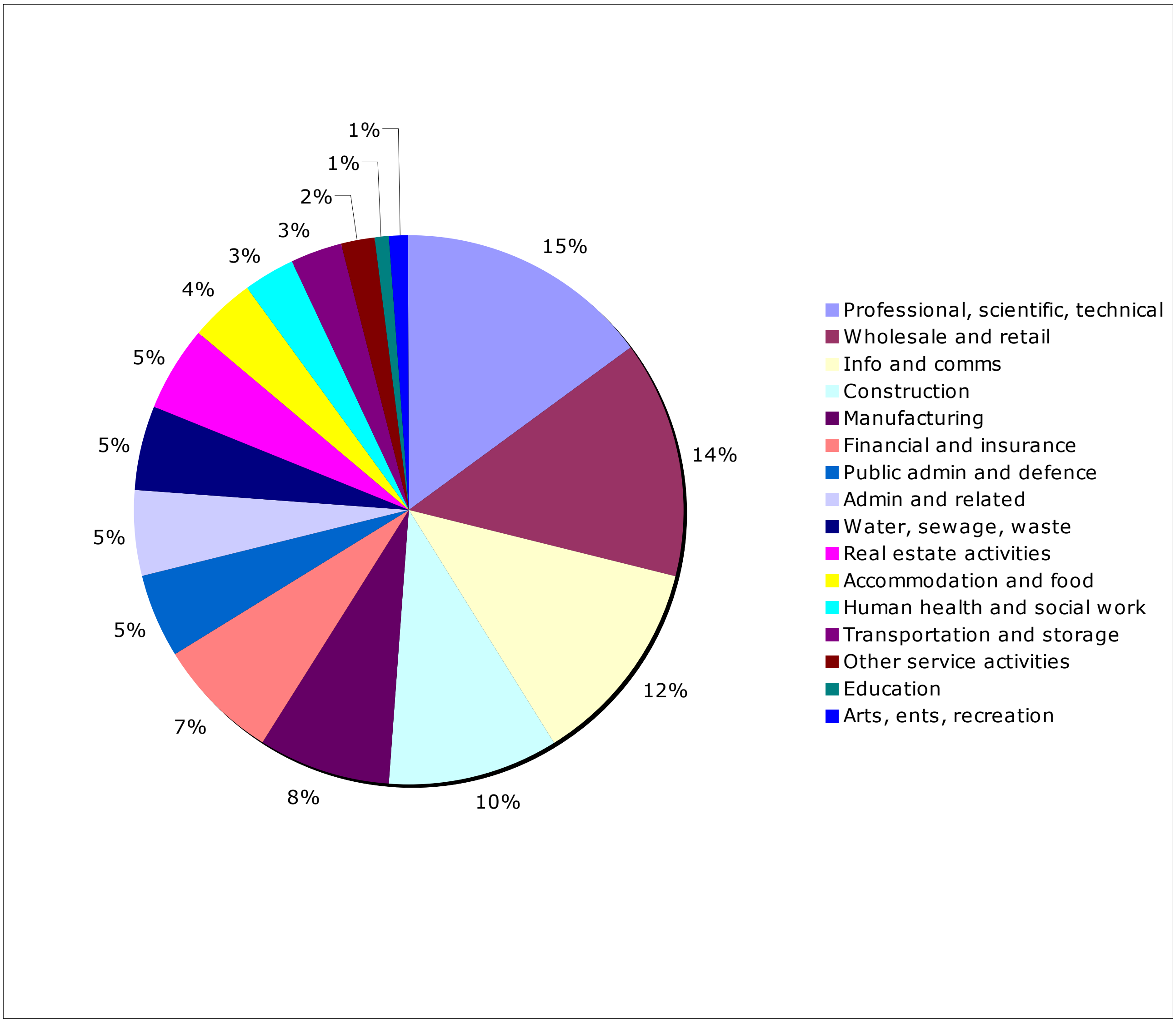
		TARGETS				
DESIRED OUTCOME	**KEY MEASURE**	**2010 benchmark**	**2013**	**2016**	**2019**	**2026**
Less overall commuting, more local employment, and reduction in CO_2 contribution from business community	CO_2 emissions across the District	(To be confirmed)	On track to achieving 2019 and 2026 targets	On track to achieving 2019 and 2026 targets	30% reduction in carbon emissions across District	45% reduction in carbon emissions across District
	Employees located in Keynsham / Saltford *(Annual Business Enquiry employee analysis)*	4,200	Maintain levels	Net increase of at least 15%	Net increase of at least 25%	Net increase of at least 50%
	Employees located in Midsomer Norton / Radstock *(Annual Business Enquiry employee analysis)*	5,000	Maintain levels	Net increase of at least 15%	Net increase of at least 25%	Net increase is at least 40%
A socially inclusive economy with continuing high levels of economic participation, increased workforce skills, and a focus on lifelong learning.	Employees across District *(Annual Business Inquiry workplace analysis)*	78,000	Net increase of at least 1%	Net increase of at least 5%	Net increase of at least 12%	Total employment increased by at least 22%.
	Unemployment across District *(JSA claimant counts)*	2% - lowest in West of England.	Maintain levels.	Maintain levels.	Maintain levels.	Maintain levels.

	Super output areas in B&NES in top 20% of IMD in the country *(Index of Multiple Deprivation)*	4 (Twerton West, Kingsmead, Whiteway, Foxhill north).	3	2	1	No wards in top 20%.
	Proportion of young people not in employment, education and training *(Connexions)*	4.3%	4.25%	4.2%	4.15%	4.1%
	Proportion of working age residents with at least Level 2 NVQ or higher *(ONS Annual Population Survey)*	76.4%	76.9%	77.4%	77.9%	78.4%
An economy which is more diverse, productive and resilient thanks to an increase in knowledge-based jobs.	Number of business births per year *(Business demography survey)*	695	755	815	875	935
	% of jobs in SIC 2007 industries: J (information and communication), and M (professional, scientific and technical) across the District. *(Annual Business Inquiry)*	13%	Proportion of total jobs is at least 14%	Proportion of total jobs is at least 15%	Proportion of total jobs is at least 18%	Proportion of total jobs is at least 20%
	Gross weekly average earnings - % of national average *(Annual survey of hours and earnings)*	94%	95%	97%	99%	100%+

	Total GVA *(Local Economic Assessment)*	Approx. £3bn	Increase of at least 0.5% *(£15m increase, equivalent to 220 new jobs in prof and scientific)*	Increase of at least 4% *(£120m increase, equivalent to 1,265 new jobs in info and comms)*	Increase of at least 15% *(£450m, equivalent to 4,744 new jobs in info and comms)*	Increase of at least 30% *(£900m, <u>including</u> 3,000 new jobs in retail, 1800 new jobs in human health, 4,500 new jobs in prof and scientific, and 3,500 jobs in info and comms).*
A place where knowledge-based workers can find jobs and where innovation being developed locally can grow	Proportion of knowledge-based workers (NVQ Level 4+) *(ONS Annual Population Survey)*	35%	Maintain or increase.	Maintain or increase.	Maintain or increase.	Proportion of knowledge-based workers is at least 35%
	Graduate retention rates *(to be identified)*	To be determined as part of action plan	To be updated	To be updated	To be updated	To be updated

The below pie charts demonstrate how we might expect the economy of the District to have changed between 2010 and 2026, in terms of Gross Value Added (GVA) per broad industry. The economy has expanded, thanks largely to more activity in ‘knowledge-based’ activities.

Estimated GVA contribution to Bath and North East Somerset economy by broad industry, 2010 (total GVA roughly £3.1bn)



Estimated GVA contribution to Bath and North East Somerset economy by broad industry, 2026 (total GVA roughly £3.9bn)