

Bath & North East Somerset Council

MEETING:	Economic and Community Development Policy Development and Scrutiny Panel
MEETING DATE:	14 th July 2012
TITLE:	Bath and North East Somerset Independent Business Sector Study
WARD:	ALL

AN OPEN PUBLIC ITEM

1 THE ISSUE

- 1.1 In March 2012 a study was commissioned to provide an evidence-based insight into the 'Independent Business Sector' in Bath and North East Somerset's economy
- 1.2 The 'Independent Business Sector' is defined as the sector of the economy which comprises all those private sector businesses which are not owned or controlled by another company
- 1.3 The study aims to explore the direct contribution of the Independent Sector to Bath and North East Somerset's economy in terms of economic output, employment and incomes as well as some information about indirect contributions through the supply chain
- 1.4 The study will also provide an insight into how much 'leakage' exists within the independent and non-independent sectors e.g. the amount of their economic contribution which 'leaks out' of the B&NES economy and into economies located elsewhere
- 1.5 This report invites the panel to hear the detail of the study and discuss options for supporting the independent sector going forward

2 RECOMMENDATION

The panel is asked to agree that:

- 2.1 It receives and comments on a presentation providing an insight into the Independent Business Sector in Bath and North East Somerset

3 FINANCIAL IMPLICATIONS

- 3.1 This commission was paid for from the department's 2011/12 budget. There are no additional financial implications from this report.
- 3.2 The Economic, Enterprise and Business Development Service Delivery Plan for 2012/13 contains a budget allocation to provide a business support service.
- 3.3 A recommendation from the Panel to pursue any particular option in addition to the Service Delivery Plan does not cause a financial commitment for the Council to include the objectives within a Service Delivery Plan. Any decision to pursue an additional option will be considered as part of the MTSRP process and will be considered in light of the Council's considerable financial pressures.

4 THE REPORT

- 4.1 The 'Independent Business Sector' in B&NES can be defined most simply as the sector of the B&NES economy which is made up of 'locally-owned businesses'. In stricter terms, it can be defined as:

'the sector of the economy which comprises all those privately-owned businesses in B&NES which are not publicly owned through shares on the market, and which are not owned or controlled by another company (or head office of the same company), which is located outside of B&NES'

- 4.2 The most common form of Independent business in B&NES is the sole-proprietorship. However, it is also likely that there are some larger Independent businesses in B&NES, with relatively large numbers of employees. The head office of a privately-owned business residing within B&NES is regarded, under this definition, as an Independent business.
- 4.3 Conversely, all those businesses which are publicly owned, or are owned or controlled by another company (or head office) located outside of B&NES, can be termed the 'Non-Independents Sector'. The 'Non-Independents' most commonly take the form of corporate chains or conglomerates.
- 4.4 In terms of the most common form of independent business, the sole-proprietorship, B&NES is home to some 5,800 working proprietors. B&NES has a slightly higher proportion of working proprietors than the West of England and England, but a slightly lower proportion than found regionally across the South West of England. Within B&NES, the analysis of working proprietors suggests that the B&NES rural area is characterised by far higher proportions of some of the very smallest of independent enterprises.
- 4.5 The crucial economic contribution of these smallest of businesses in B&NES should not be under-estimated; growth in working proprietors during the economic downturn has more than offset the small decline in employees experienced and has actually been entirely responsible for employment growth in B&NES during this period. Driving this growth has been considerable growth of working proprietors in the Creative Industries, Accommodation, Management Consultancy, Retail and Architectural and engineering activities.
- 4.6 Turning away from working proprietors, to look at the entire business stock, it can be shown that around 7,500 of the 9,000 businesses in B&NES are Locally-Owned (84% of the business stock). Just 16% of businesses in B&NES are Not Locally-Owned. Locally-Owned businesses account for almost two thirds (64%) of private sector employment in

B&NES, almost two thirds (65%) of its GVA output, and more than two thirds of its Incomes (67%). However, they account for just 59% of turnover. The disparity between GVA and Turnover contribution suggests that, on average, Locally-Owned Businesses are located in higher value added sectors than Non-Local Businesses. In fact, the average Locally-Owned Business generates £44,000 per annum in GVA whilst the average Non-Local Business generates just £41,000 (almost 10% lower).

4.7 Studies in the US in the retail sector suggest that spending in Locally-Owned Businesses generates four times as much further local spend through the supply chain than the same equivalent spending in Non-Local Businesses. A UK study found that, in the tourism industry, for every £1 spent at Hotels, most of which are not owned locally, a total of £1.30 will be spent locally (an extra 30p per £1). At the (mostly) locally-owned B&Bs, the study found that every £1 spent will generate £2.20 locally (an extra £1.20 per £1). So for every £1 spent in the hotels, the B&Bs generate four times as much for the local economy (£1.20/30p).

4.8 The findings suggest that actions to promote local purchasing amongst locally-owned businesses, and which promote and support the start-up and growth of locally-owned businesses, will reap considerable economic reward for B&NES.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 Any support for independent sector businesses will be promoted across all equality groups and specific targeting will be undertaken, where necessary, to ensure those groups and areas with particularly low business start-up rates are able to access appropriate support

7 CONSULTATION

7.1 *Cabinet Member; Strategic Director for Place; Section 151 Finance Officer; Monitoring Officer*

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 *Sustainability; Human Resources; Property; Impact on Staff;*

9 ADVICE SOUGHT

9.1 *The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.*

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Background papers	
Please contact the report author if you need to access this report in an alternative format	

