

Economic & Community Development & Scrutiny Panel, 24th May 2012
Report back on Scrutiny Inquiry Day held **18th April 2012** into The Benefit of joint working to retain graduates in Bath & North East Somerset

1.0 Background

At its meeting on the 18th November 2011 the Policy Development & Scrutiny Panel agreed to undertake a Scrutiny Inquiry Day into the benefits of joint working to retain graduates in Bath & North East Somerset. The aim of this investigation would be to identify what local businesses and organisations are doing now to retain graduates and what plans do they have for the future. This would then help the Council identify how we can best work together to support these efforts, through a greater understanding of what more still needs to be done and through discussions with key stakeholders about how this is achievable, thus ensuring that Bath & North East Somerset is attractive to graduates and graduate employers.

A wide selection of people were invited to attend the event and on the day we had a total of 32 people that came to listen to the presentations and feed into the workshop sessions. This included; The Bath Chamber of Commerce, Small Business Focus, Buro Happold, Media Clash/Creative Bath, Bath Spa University, the University of Bath, the City of Bath College, Norton Radstock Colleges, graduate start-up businesses, a student, Councillors and Council departments.

We received a mixture of presentations throughout the day which raised many questions and set the discussions for the workshop sessions.

- *Paul Swinney (Centre for Cities¹):* talked about the value of the relationship between universities and city economies, primarily on a national level with additional information about the B&NES area.
- *Jim Plunkett-Cole (Smart Growth Analytics):* was commissioned by the Council to undertake some detailed statistical investigation and analysis on the issue of graduate retention in B&NES.
- *Dave Kelly and Adam Pope (Storm):* shared their experiences of setting up their business in the area and of employing / attracting graduates.

There was also an opportunity for statements to be gathered from the floor, which provided every possible opportunity for everyone's views and thoughts to be shared with the rest of the group. Prof Christina Slade the Vice Chancellor of Bath Spa University used this opportunity to raise her thoughts about what areas need to be considered for the future, which included her concerns about how we can attract more global students to the area and improve the current systems in place to enable this.

¹ Centre for Cities is an independent policy research unit who had previously published the "Starter for Ten: Five Facts and Questions on the Relationship between Universities and City Economies" (2011) <http://www.centreforcities.org/starterforten.html>

Prof Slade also felt that by improving the knowledge of our students of what's available locally, would help to meet the Councils Core Strategy and Economic Development Strategy of making provisions for an additional 9000 jobs by 2026.

Workshops were then held to scope the strengths, opportunities, weaknesses and threats that are faced by key stakeholders in retaining graduates in the area and to establish what we collectively require to retain graduates to help identify recommendations for further investigation and some possible solutions to issues.

2.0 Recommendations

2.1 Recommendation:

The SID highlighted the benefits to the local economy arising from the presence and activity of Universities, in particular recognising the economic advantage arising from students as consumers. Research revealed that the biggest factor in retaining and attracting graduates is the availability of good jobs. The SID therefore urges Cabinet to endorse and continue to implement the Economic Strategy

2.2 Recommendation:

Business representatives gave evidence that events such as X Media Lab and business networks such as Creative Bath were hugely beneficial to not only promoting business growth per se but in addition in demonstrating to graduates the benefits of staying in B&NES and developing their own businesses and business networks. As such the Council should seek to continue sponsoring and developing such networks and events. Promotion of the involvement of local businesses in scheduling and organising events and festivals to raise the profile of Bath and North East Somerset should be stepped up.

2.3 Recommendation:

Implementing the Bath and North East Somerset Economic Strategy (as recommended at 1 above) means expanding and attracting those businesses that demand high skilled workers (particularly graduates).

At a more detailed level more needs to be done to match future employer requirements with potential employee qualifications.

This 'intelligent labour market planning' has commenced within the Council and it is recommended that ownership of this and driving the links between employers and HE/FE should be promoted via the B&NES Learning and Skills Partnership.

2.4 Recommendation:

With a clear focus on growing business, either through inward investment or indigenous expansion, B&NES Council should develop a more robust inward investment campaign which includes local business and education institutions

Specifically more needs to be done to promote the fact that current residents and workers are more highly skilled than labour markets elsewhere in the UK. The inward investment strategy needs to specifically to make more of this comparative advantage.

This must include marketing beyond the West of England boundaries in conjunction with the Universities.

2.5 Recommendation:

Research presented at the Panel indicated the value of flexible cheap space to provide the infrastructure for graduates (and others) in order to allow them to develop their business ideas without the need for a lot of upfront investment.

It is recommended therefore that Cabinet support the co-working hub in Bath and a recommendation also made that this hub could also incorporate information to raise awareness of start-up support e.g. mentoring/networking opportunities.

2.6 Recommendation:

The development of a hub is a good start. Businesses that gave evidence to the Panel mentioned the requirement then to have 'move on' space that allowed them to expand as their business grew without having to move out of the District.

It is recommended therefore that the Enterprise Area makes provision for this in Local Plans and that it is delivered as an early phase of the areas development with further liaison with business about the nature of the space and when it will be required.

2.7 Recommendation:

Students undertaking placements, work experience, internships or mentoring with local businesses was seen by both the Universities' and business as a good way to assist with helping retain graduates in B&NES.

Actions to support this were recommended as follows:

- Promote awareness of such opportunities between business, the Universities and colleges
- Make the process simpler for students through a central hub of information on placements, internships, mentoring.
- Develop a more systematic method of matching opportunities with students rather than relying on personal contacts. For example a web based 'dating' site developed by business, the Council, University and colleges

Encourage the Universities and Colleges to work with businesses to offer 'job tasters' that give students insights into businesses that they may not have known existed.

2.8 Recommendation:

Local businesses with requirements for graduates should collaborate to promote a 'mini milk round' to the University of Bath and Bath Spa University. This would require some coordination by the Council and businesses.

2.9 Recommendation:

Fledgling businesses can often struggle with finance, both in raising it, knowing where to raise it and how. This is especially true for students graduating with good ideas and products but lack business knowledge.

Establishing a banking/finance forum locally could help with this and further considering the launch of a local business specific bank developed through local investment.

3.0 Findings

3.1 *Presentation findings and discussions:*

Paul Swinney (Centre for Cities):

The Centre for Cities has conducted research on the different types of business/income generated by a range of University cities over the period of 2004-2008 (**see appendix 3 for a copy of the presentation**). The presentation initially outlined the income generated from businesses across twenty universities. The city with the biggest level of income generated through University business was Oxford at just over £90 million, with the biggest percentage of their income coming from contract research, compared to Coventry with an income of £20 million. Paul noted that Bath, which was not one of the cities originally included in the study, would rank fourteenth out of twenty with an estimated income of £22 million per university (£44 million overall).

The Centre for Cities presentation also highlighted that University's as employers also contribute to the economy to varying degrees, with Oxford being the highest as staff make up approximately 17% of the total employment population compared to Telford at less than 5%.

Spin-outs² from universities tend to have higher turnovers than the general business base. For example, 67% of university spin-outs were turning over more than £250,000 per annum compared to a UK business average of 30%

Students attending Universities also add value to the local economy, it was estimated that Bath's student population makes up around 12% of the total population and generates approximately £180 million spend in the local economy. The equivalent figures in Oxford represented around 8-9% of the total spend in the local economy. Paul also noted that people have historically

² University spin-outs are firms set up to capitalise on innovations begun in the university: either the founders started off working for the university, or the core technology originated in university research. It is assumed here that all spin-outs operate in the same city as the university they are associated with. This is an estimate of spin-out turnover based on university-level statistics.

followed opportunities and stated that although an area, like Bath, may have a strong economy, planning policy can be seen as off putting.

Overall, the presentation concluded that the biggest economic benefit of “universities is through the attraction of students as consumers through their levels of employment in a city economy. The direct impact of universities on businesses in their host cities is currently low, but their impact goes far beyond the business base of their host city.” (Paul Swinney, Centre for Cities, 2012). Cities, like Bath, with a higher qualified population tended to have higher levels of economic growth over time.

Jim Plunkett-Cole (Smart Growth Analysis Ltd):

Jim Plunkett-Cole was commissioned to undertake some research specifically looking at the Bath and North East Somerset area and graduate retention, based on 2009/2010 data available from the Higher Education Statistics Agency (HESA) which all universities are required to submit information too. A briefing report and a presentation were shared on the day **(see appendix 4 for a copy of the briefing)**.

The briefing stated the following (Jim Plunkett-Cole, Smart Growth Analysis, 2012:2):

Table 1: % of graduates from B&NES, London and the England Core City universities working or studying in the same area (6 months after graduation)

PUA studied in	% of all Working Graduates from HEIs in PUA	% of all Further Study Graduates from HEIs in PUA	% of All Graduates Working or in Further Study
Bath	13.8	52.4	24.0
Birmingham	39.4	51.8	42.3
Bristol	20.2	50.0	26.3
Leeds	44.8	61.9	48.8
Liverpool	41.5	55.1	44.4
London	65.4	62.6	64.8
Manchester	50.3	59.3	52.3
Newcastle	47.0	63.8	50.3
Nottingham	28.0	46.8	32.4
Sheffield	38.0	60.1	42.5

Source: HESA Destination of Leavers survey 2009/10. Copyright Higher Education Statistics Agency Limited, 2010. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

The above table shows that **24.0%** of graduates from Bath’s two universities, who were working or studying, were doing so in Bath & North East Somerset. **13.8%** of working graduates were retained in the area as were **52.4%** of those who continued to study. Overall the graduate retention rate (2009/10) was the lowest of all the comparator area, and with the exception of Bristol.

Jim reported that the main way of raising Bath's graduate retention rate will be to focus on the demand-side for graduates. The Councils Core Strategy and Economic Development Strategy make provision for the additional 9,000 or so jobs in B&NES in 2026 along with Bath Western Riverside and the City of Ideas concept. These could all make a contribution by concentrating on the creation of higher added value jobs and taking advantage of the higher skilled workforce available.

Due to the discovery of the low ratio of jobs to graduates, the local economy is currently in a good position to expand without the need to attract large numbers of qualified graduates from outside the region or for the universities to expand. Furthermore the relatively low competition for graduate employees could represent a way of attracting business working in these sectors to the area, which in turn could also improve the retention rate in the area.

Overall the research indicated that any intervention should only take place where there is evidence of market failure and as there is no evidence of market failure in Bath & North East Somerset in terms of the functioning of the market for graduates. Jim reported that the main areas of graduate market failure lie in such area as inward investment and start-up.

Dave Kelly and Adam Pope (Storm Consultancy):

Dave Kelly and Adam Pope are two University of Bath graduates who started their company, Storm, whilst in their final year of study at University and have now developed into a successful company. They gave a presentation to the group about their experiences of setting up a business in the area including what difficulties they encountered and what they would like to see happen in the future. They had started their business in Midsomer but were now located in Bath. They had recruited a intern student from Bath Spa University who they decided to take on permanently and over the past three years had seen their staffing levels grow from two to nine people.

For them, they felt that the key requirements for a successful start-up business would be a growth industry, combination of creativity and science, low running costs, people, a thriving community and support for entrepreneurs. Both Bath and Midsomer offered some of these but they pointed out that Temple Quay in Bristol was able to offer all of these and whilst they were not looking to move, on paper Bristol offered start-up businesses a more complete package than Bath and North East Somerset. They felt that if Bath and North East Somerset wanted to move forward, they needed to offer reduced costs for growth industries e.g. rate relief, grants, loans; support for local community groups like Bath Digital Festival and a support infrastructure for entrepreneurs e.g. through the universities, mentoring and networking.

3.2 The workshops exercises generated many issues and ideas some of which have been incorporated into the final recommendations:

Below is a brief summary of some of the discussions and possible solutions.

Workshop One: SWOT (Strengths/Weaknesses/Opportunities/Threats) Analysis

This workshop was designed to explore what work is being done now or planned for the future to retain graduates in the area and to identify what the key issues are that are threatening graduate retention.

It was generally agreed that Bath and North East Somerset is a pleasant place to live and work and it was felt that on the whole graduates would like to stay in the area after they have finished their studies. The City of Bath has two popular and complimentary universities and many of the graduates in our area are highly skilled resulting in Bath being one of the most highly qualified populations in the country.

As a result of the above, some of the opportunities that were highlighted included:

- Raising the graduate network, regionally and globally, through the support of the Councils Planning department to help improve business start-up and innovation.
- It was also felt that there was an opportunity for the area to improve how it sells itself to people outside of the area through large employers/ universities in the area and better links between Higher & Further Education establishments.
- It was also felt that there is some existing opportunity through the 'City of Ideas', 'Creative Hub', enterprise area, Innovation Centre.

The weakness raised by the groups included:

- The marketing of skills in the area and how we promote B&NES for investment.
- Planning was also seen as a threat to future development.
- The cost of living and working versus the lack of higher paid jobs was also considered an issue and many felt had resulted in some graduates moving out of the area.
- There were some negative connotations to the 'heritage image' of Bath and it was felt to have a detrimental effect on people's perception of the area and wanting to start a business in the area.
- It was also agreed that there is current a lack of joined up thinking on graduate retention, and many welcomed the opportunities that the discussions raised at the Scrutiny Inquiry day.

The main threats identified included:

- The supply and cost of housing in the area
- The lack of strong links between 'town and gown'
- The competition that exists with the Bristol Enterprise Zone, London and the South East and its attraction to local graduates/ business.

- The general uncertainty within the economy today particularly within the university/ public sector/ industry coupled by the effect of an ageing population.

Workshop Two:

The second workshop exercise sought to examine what sort of graduates would the group like to retain in the area and what value they would add.

It was generally agreed that the type of graduates that we would like to retain in the area include: the entrepreneurial, all rounded and broader skilled graduates, particularly those specialising in Information Technology, creative industries, public sector including health and education, professional business and green/carbon neutral enterprises. It was felt that we should be targeting the 25-35 age groups who are more likely to stay in the area in the long term and trying to attract more global graduates to stay in the area.

The added value of retaining these graduates would result in a trickling down effect to supporting our secondary economy, creating higher earners, increase business growth, and general added value to the wider economy.

It would also further increase and boost our highly educated and skilled population. The increase in these types of graduates within our local economy would have the added benefit of introducing new thinking and cultural offers to the city. Therefore resulting in increased productivity, increased growth of businesses and helps to attract inward investment.

Workshop Three: This workshop summarised the outcomes from the previous discussions and gave the whole group the chance to decide what they collectively would like to achieve from the day, the basis of which formed the recommendations outlined in section 2.0.

4.0 Conclusion:

The above briefing report and recommendations table will be submitted to the Full Economic and Community Development Panel and will then be submitted to the relevant Cabinet members for discussion and response to the individual recommendations, at their meeting on the **13th June 2012**. The relevant Cabinet Members will then have 6 weeks to consider and respond to these Recommendation's . The individual decision and rationale will then be presented back to the Economic and Community Development Panel at its meeting on the **12th July 2012**.