Appendix 1.
Bath & North East Somerset
Case for new Economic Strategy

Introduction

Bath & North East Somerset's(B&NES) last Economic Strategy was published in 2014, since then the B&NES economy has changed and the working environment has changed beyond recognition since COVID 19 hit. While B&NES has many advantages and economic strengths it also has an imbalance between high and low paying jobs, an ever-decreasing amount of industrial space and pockets of severe economic deprivation.

The COVID 19 pandemic has exposed the over-reliance within the B&NES economy on retail and hospitality jobs and the geographic and social inequalities with the authority area.

This note will outline the key challenges which the new economic strategy will seek to explore and propose project solutions to which we have been doing through various boards and panels where we have discussed and agreed direction on.

There have been many successes from the 2014 Economic Strategy. This strategy aims to build on those successes and address the continuing issues. This is a development and evolution from the previous strategy.

This paper aims to set out the key constraints to the B&NES economy, in a series of challenge questions which need to be addressed.

SWOT Analysis

Strengths	Weaknesses
- High resident qualification rate - High level of employment in in high skilled occupation - Two universities and a strong FE presence - Strong tech and creative sector - Strong partnerships between local organisations - Attractive place to live and study - High business survival rate - High level of disposable income - Attractive investment location	- Covid has highlighted the disparities within the authority area and the vulnerability that sectoral concentration brings - Depletion industrial space to residential uses - limiting growth and economic health of area - Older population - increasing need for care with associate cost - Disconnect between local skills base and jobs - Concentration of employment within 3 main sectors - Uneven job and business distribution throughout BaNES – urban/ rural dynamic - Pockets of sever deprivation within authority area
Opportunities	**Threats**
- Bath Quays developments opening will help alleviate the current chronic lack of supply of A Grade office space - BaNES focus on sustainability provides employment and investment opportunities	- Brexit - Economic impact of Covid is still unknown could be further impacts once furlough ends - Continuing loss of businesses to surrounding areas due to lack of available employment space - Hollowing out of the labour market could limit opportunities for career progression

- Partnership working with other anchor institutions could move the needle on issues - Covid has enabled the reimagining of lifestyles	- Digital access and inclusion limiting employment and businesses opportunities/growth - Lack of business investment in skills/training - Aging population – need to retrain a large proportion of the workforce

Economic data

Residential and workplace employment sectors

Employment sector of Bath & North East Somerset residents			
Data set: Annual Population Survey:			
	Jul 2019-Jun 2020		
Sector	number	percent	confidence interval
Energy and Water	2,200	2.2%	1.1
Manufacturing	5,700	5.6%	1.7
Construction	6,800	6.8%	1.9
Retail, distribution, hotels and restaurants	17,000	16.8%	2.8
Transport and Communications	7,900	7.8%	2.0
Business services, finance and insurance	18,400	18.2%	2.9
Public admin, education and health	37,800	37.5%	3.7
Other services	4,400	4.4%	1.5
TOTAL	100,900	100%	-

The latest Annual Population Survey results show a total of 100,900 B&NES residents in employment (either as employees or self-employed).

The public sector is clearly the largest employment sector for B&NES residents, followed by banking, finance and insurance and retail, hotels and restaurants. 72.5% of B&NES residents in employment work in one of these three sectors.

Please note that the above data set includes circa 18,000 self-employed residents in its analysis and it isn't possible to exclude them from the sector breakdown below. This data set isn't overly reliable at local authority level either, due to it being a national survey with relatively small sample sizes at smaller geographies. Confidence intervals have been included for this reason.

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Employee jobs within Bath & North East Somerset			
Data set - Inter-Departmental Business Register. All data rounded to nearest 100.			
	2019		
Sector	number	percent	RD adjusted figures
Energy and Water	2,300	2.6%	2,718
Manufacturing	4,000	4.5%	4,727
Construction	4,500	5.1%	5,318
Retail, distribution, hotels and restaurants	23,000	26.1%	27,182
Transportation and Storage	5,500	6.2%	6,500
Business services, finance and insurance	18,750	21.3%	22,159
Public admin, education and health	26,250	29.8%	31,023
Other services	4,000	4.6%	4727
TOTAL	88,000	100%	104,000

The Annual Population Survey does not include workplace jobs, hence the need to use the government's Inter-Departmental Business Register. Unfortunately, the data only captures employees and not all employment (including self-employed). The data set shows a total of 88,000 employees working in B&NES. Given that the ONS provides a total jobs figure of 104,000 for the authority area, I have adjusted total jobs for each sector in B&NES upwards assuming that self-employment sector split will be largely the same. The data in blue are therefore estimates.

There are more jobs in public admin, education and health than any other sector within B&NES, with retail & hospitality and finance & insurance sectors again comprising the top three. However, these sectors are more evenly distributed in terms of B&NES workplace jobs compared with B&NES residential jobs.

Disconnect between local skills base and jobs

Comparing residential employment with B&NES jobs it can be seen that B&NES relies on **in-commuting** to fill jobs in the following sectors (sectors ordered by size of differential): -

Retail, Distribution, Hotels and Restaurants, Business Services, Finance and Insurance, Energy and Water, Other Services.

Conversely, our residents are more likely to need to out-commute for work in the following sectors (sectors ordered by size of differential): -

Public admin, education and health, Construction, Transportation and Storage, Manufacturing

A key strand of further research and analysis as part of this economic strategy will be to assess spatial differences between employees and employment in more detail.

B&NES Enterprises

Year	Number	Annual % Change
2015	7,825	
2016	8,065	3.1%
2017	8,210	1.8%

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2018	8,240	0.4%
2019	8,440	2.4%
2020	8,495	0.7%
Source: Inter-departmental Business Register		

The stock of enterprises within B&NES has steadily increased over the past 5 years. The impact of COVID on our business stock will not be fully known until 2022 when government support measures have ended and more recent data is made available.

88.8% of our enterprises are micro businesses (0-9 employees), broadly in line with regional and national averages. B&NES has a slightly larger proportion of larger enterprises than the regional and national rates, leaving the local economy more susceptible to employment shocks as result of individual corporate decision-making.

Economic Impact of COVID

At a national level, the Bank of England Monetary Policy Committee has reported fast vaccinations and easing of restrictions is expected to lead to strong growth in the current quarter, and a return to 2019 levels of GDP by the end of the year is now forecast. This is a faster recovery than the Bank forecasted in February.

Unemployment is forecast to peak at 5.5% in Q3 2021 then fall, a smaller rise than previously expected due to the extension of the furlough scheme and faster recovery

For B&NES , the Oxford Economics Report commissioned last year also forecast a return to pre-COVID GVA levels in 2021 and employment levels by 2022. A total reduction of 3,400 jobs was predicted for B&NES in 2020 (based on ONS BRES data), however there are vast sectoral differences in where this impact is likely to be felt. Over 2,000 jobs were forecast to have be lost within accommodation & food and arts, entertainment and recreation alone.

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Bath & North East Somerset	Jobs (000s)			
	2019	2020	Change	Change %
Human health & social work	17.0	17.4	0.4	2.4
Public administration	2.4	2.4	0.0	1.1
Education	13.0	13.2	0.1	1.0
Real estate	2.4	2.4	0.0	0.2
Water supply	2.6	2.6	0.0	0.2
Information & communication	5.2	5.1	0.0	-0.8
Utilities	0.2	0.2	0.0	-1.1
Administrative services	4.5	4.4	-0.1	-1.6
Professional services	11.2	11.0	-0.2	-1.9
Finance & insurance	2.2	2.2	0.0	-2.1
Other services	3.4	3.3	-0.1	-2.5
Agriculture	0.6	0.5	0.0	-3.1
Extraction	0.0	0.0	0.0	-3.3
Transport & storage	2.1	2.0	-0.1	-4.3
Construction	6.7	6.4	-0.3	-4.7
Wholesale & retail trade	13.3	12.5	-0.8	-5.8
Manufacturing	4.6	4.3	-0.3	-6.5
Accommodation & food	10.2	8.8	-1.5	-14.3
Arts, entertainment & recreation	3.8	3.3	-0.6	-14.6
Total	**105.4**	**102.0**	**-3.4**	**-3.2**

Source: Oxford Economics

The recovery will also vary by sector. Oxford Economics states that B&NES has a number of resilient economic sectors set to drive employment growth as we move to recovery. These include professional services and health.

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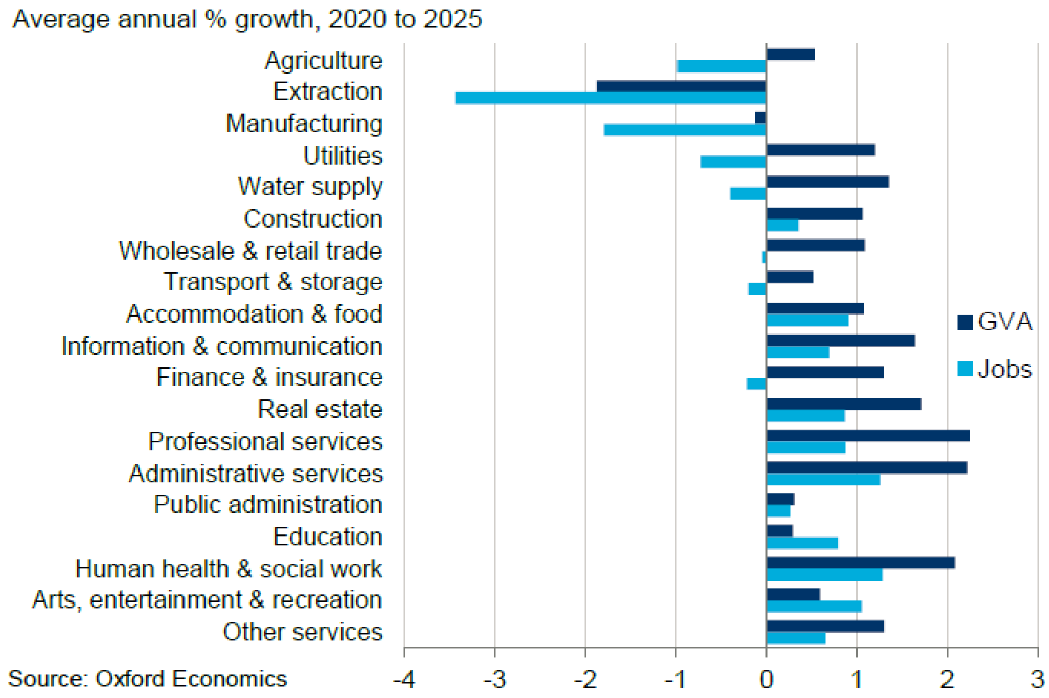

Home working

A recent statistical release from the ONS showed a that B&NES has a significantly higher proportion of residents either mainly or sometimes working from home, compared with the national and regional rates. The same data set included demographic splits at a national level, showing home-working levels increase with age. Men were more likely to home-work compared with women, and white, mixed and Chinese ethnic groups were also more likely to work from home.

	Mainly work at their own home	Mainly work in the same grounds, buildings or home as a base	Mainly work somewhere separate from home	Work at home in the week prior to interview	Ever work at home
UK	8.5%	8.9%	82.4%	25.9%	36.5%
South West	8.5%	11.8%	79.5%	26.1%	39.3%
B&NES	13.0%	12.5%	74.4%	36.5%	50.8%
Source: Annual Population Survey, Jan-Dec 2020 (ONS)					

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Challenge questions

Aging Population – Increasing Care Need

There is projected to be a large increase in the number of older people in B&NES, for example, between 2016 and 2029 the number of people aged 75 and over in the local population is projected to increase by 36% (from 16,600 to 22,600 respectively). The number of 90 years and over in the local population is projected to increase from 2,000 to 2,500 during the same period. 3 These increases will mean that services for older people are likely to experience further increases in demand.

Table 1: Demonstrates the projected overall changes for key older population groups in B&NES between 2016 and 2029.

	2016	2022	2029	2016-2029	Change 2016 -2029
75+	16,600	19,300	22,600	6,000	36%
85+	5,300	5,500	6,700	1,400	26%
90+	2,000	2,100	2,500	500	25%

*ONS will be creating a 2021 dataset in September which can then supersede this data

Note – It is known that there is an increasing care need and that with B&NES being an attractive place to retire to which will potentially exasperate this issue going forward. More up-to-date data will soon be available on the extent of the future need from the Care Commissioning team who will shortly be releasing a report.

This issue results in a huge cost to council resources. The procurement team is developing a Care Commissioning Strategy as there will be a medium-term change from residential to home care. This change presents both issues in terms of commissioning and business models but also opportunities in terms of retraining and upskilling the workforce and the development of innovative solutions are increasing the use of technological solutions.

An example of solution development as the University of Bath has recently partnered with Guild Living to develop a diverse range of academic research focused on healthy, independent living for older people and intergenerational living. Topics of research will include how we tackle the multiple aspects of loneliness in older people, as well as combining cross-cultural studies to better understand and develop solutions to the challenge.

Although there is an issue within the care sector in terms of career development a recent survey showed that 1/3 of adult social care workers are debating quitting their jobs in the next five years amid concerns about poor pay and a lack of career progression[1]. This is an issue which will need to be explored from both employment and skills angles. There needs to be a skills solution in terms of

[1] https://www.nursingtimes.net/news/research-and-innovation/one-three-social-carers-plan-leave-sector-next-five-years-warns-survey-17-09-2019/

innovation and progression within the employment. As an increasing amount of employment within this sector then there will be an increasing need for this innovation.

Our Joint Strategic Needs Assessment (JSNA) suggests continued change with a 12% rise in the population by 2037 to 199,100. The number of over 75's in B&NES is set to increase by 75% in that time.

2014 estimates suggest that there are 11,807 people aged 65+ in B&NES unable to manage at least one self-care activity on their own. This is expected to increase to 16,408 (39%) by 2030 and is likely to have significant impact on carers and care services, as well as the expected numbers of older residents living in care homes[2].

Critical low levels of Industrial stock, shifts in demand for office and retail premises

Since 2011 B&NES has lost over 91,435sqm net of industrial space[3], plus an additional 15,648 sqm is expected to be lost through the Placemaking Plan allocations. The total loss of industrial floorspace is therefore nearly 100,000 sqm. Bath has lost 45,092sqm of industrial space significantly in excess of the 40,000 sqm loss for Bath of managed reduction by 2029 set out in Policy B1.

Due to the relative inexpensiveness of industrial space within Bath it has been especially vulnerable to redevelopment into higher value uses – especially Purpose-Built Student Accommodation. In the last Placemaking Plan it was acknowledged that there would be a managed reduction of space but the volume of space lost has far exceeded this. Despite the Planning Policy and Economic Development teams fighting against planning applications for change of use to residential, huge amounts of space have been lost during the past 10 years. As the 2020 Employment Land Review notes that there is 'a critical lack of supply in the Bath City area'.

This issue is a significant one. Without new space coming forward in the same area Bath risks its economic ecosystem suffering completely. Without space opportunities manufacturing, engineering and other businesses requiring industrial space will be lost to Bath.

This is also a significant issue if the Council's aspiration to develop more sustainable and green jobs is to be realised. This is because it will be industrial space needed for the manufacturing and research and development elements of clean energy and retrofitting enterprises.

This strategy is focusing on industrial stock as opposed to retail and office stock due to the huge difference in levels of supply and demand between the different sectors. Covid has increased the push to online shopping which has exasperated the already present declining level of retail requirements. Equally the shift to online working for a section of the workforce has resulted in declining use of the office. There is not the data to support whether this move will continue past the full reopening of the economy in June 2021. There will also be introduction of a large amount of Grade A office space onto the market when the Bath Quays development is completed.

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[2] https://beta.bathnes.gov.uk/sites/default/files/2020-05/adults_market_position_statement.pdf
[3] https://beta.bathnes.gov.uk/sites/default/files/2021-04/Industrial%20dashboard%202020.pdf

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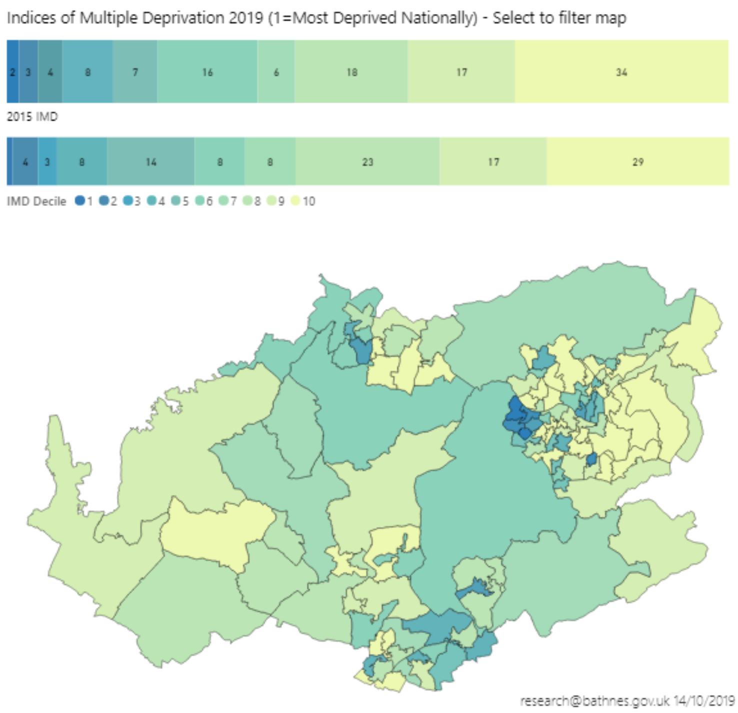
Pockets of severe deprivation – difficult to reach and address

As a whole, B&NES remains one of the least deprived local authorities in the country and continues to become relatively less deprived over time. The presence of deprived wards within B&NES shows the there are issues within the authority.



Source: 2019 IMD (ONS) / B&NES Research Team

Although the 2019 Indices of Multiple Deprivation show that nearly 30% of small areas in B&NES are within the 10% least deprived areas nationally. However, two areas, Twerton West and Whiteway/Southdown, are within the most deprived 10% in the country and three further areas are within the most deprived 20% of the country; Whiteway West/Twerton, Twerton Village and Fox Hill North.

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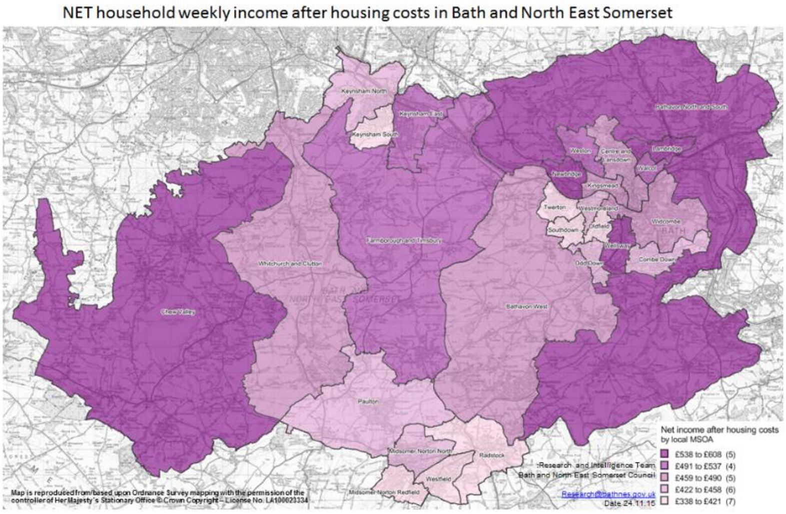

Source: B&NES Research Team

The above graphic demonstrates the comparative differences in weekly household net income, after housing costs. It highlights comparatively lower levels of net income in parts of Bath, South Keynsham and parts of the Somer Valley.

Approximately 12% of children in B&NES were living in poverty in 2017/18, increasing to approximately 19% when housing costs had been considered.

The Social Mobility Commission (SMC) monitors progress towards improving social mobility in the UK, and promotes social mobility in England. Overall, B&NES ranks 162 of 324 Local Authorities for social mobility, ranking highly on indicators for early years and adulthood but lower for school and youth. In the South West, B&NES ranks 13th of 36, behind North Somerset and South Gloucestershire but above Bristol, Swindon and Wiltshire.

The Covid pandemic has shown that the severe negative impact that economic and digital exclusion can have on areas. And also that these factors have a significant effect in terms of equality of opportunity within the authority area.

For such a wealthy authority area to have such severe pockets of deprivation is shameful and something that should be addressed in an economic sense as well as through public health and social measures.

The Economic Strategy will seek to address inequality and deprivation through focused interventions on inclusive growth and social value. Place specific interventions will be explored within the Economic Recovery & Implementation Plan.

Shape of economy – imbalance between high and low paying jobs

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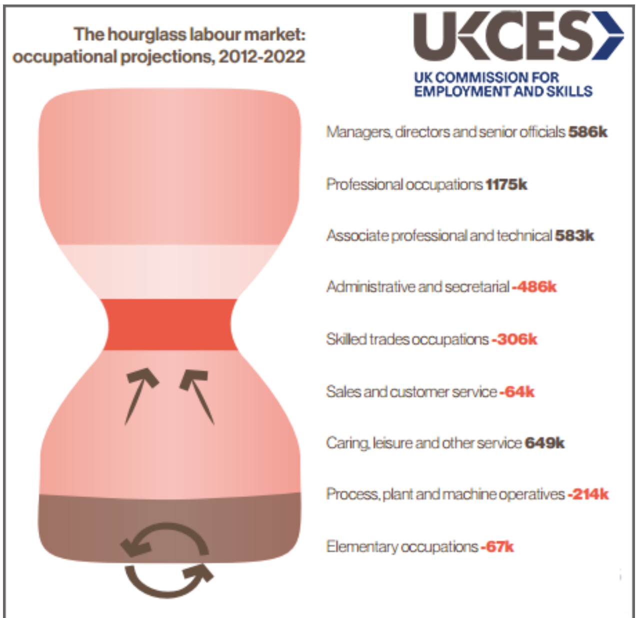

Source: Climbing the Ladder: Skills for Sustainable Recovery

Research from Oxford University suggests the hourglass shape of the economy in the UK may be even more pronounced than in other European countries, many of which are facing similar problems. According to analysis of jobs created between 1996 and 2008, Britain's economy has shifted more towards low-skilled jobs and less towards high-skilled ones than other European nations.

The Resolution Foundation has found that this "hollowing out of the middle" has contributed to rising wage inequality – as the middle rungs on the ladder vanish, it's harder for people to move up. This has led to a rise in flexibility, self-employment (not always by choice) and the growth of "non-standard contracts", such as zero-hour contracts.

This issue is pronounced in B&NES with a significant number of highly skilled professional and educational employment sectors coupled with a larger amount of employment within the hospitality, retail and care sectors. This effect of imbalance has been shown with the economic disruption of the COVID 19 pandemic on some areas of employment far more significantly than others.

Note – this issue in particular will be re-examined following the ending of the furlough scheme in September 2021.

Previous B&NES Economic Strategies have focussed on high-value economic sectors such as digital technologies and advanced engineering, while our sectoral analysis identifies over two-thirds of local residents work in the public, retail & hospitality and financial & business service sectors.

The council will need to explore the development of skills laddering programmes and skills retraining. This will likely involve a partnership working with local training and business support organisations. There needs to be investment in upskilling the workforce in more future proof employment and creating a better match between employer needs and the resident population - reducing out and in commuting and with-it carbon emissions.

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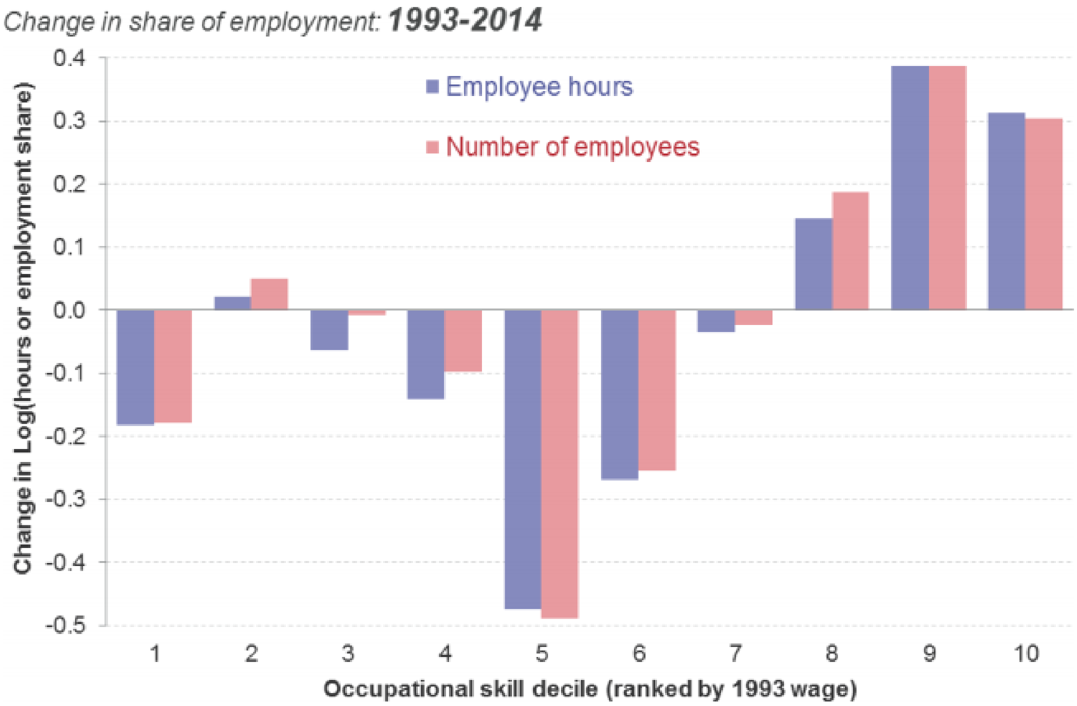
There also needs to be development of projects to aid the modernisation of certain employment sectors and to create progression opportunities within the workforce.



Notes: The final quarter of 2014 is not included because data was not available at the time of analysis. See annex for other methodological details. Source: Resolution Foundation analysis of Labour Force Survey, ONS

Sustainability and the zero-carbon approach

One Shared Vision – Framework for Action

The One Shared Vision has set out an Initial Ground-Up Framework for Action. This aims to guide the development of sustainable, inclusive, smart and economically productive places. This matrix approach groups actions under the headline themes of Fair, Green, Creative and Connected and also as to whether they relate to individual actions (People), geography (Place) or the processes and behaviours that link the two (Systems).

Those elements with are most pertinent to the Economic Strategy are:

Fair and People:

- Build a pathway for transition to a digital economy with a major focus on skills
- Develop skills and decent green jobs in local neighbourhoods (e.g. renewable energy, food growing)

Green and Places:

- Move away from mass tourism, encourage fewer/longer stays
- Set targets for sustainable tourism – how big/small should the footprint be?

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Places and Connected:

- Use digital services to reduce the need to travel and innovative sustainable transport solutions for commuting needs

Green and Systems:

- Be driven by economy, environment and equality

Creative and Systems:

- Bring together technology and the arts – square the circle between heritage and culture

Potential economic impacts

Since the council declared a climate emergency in March 2019 there has been a focus on zero carbon and sustainability across the council's work in order to achieve its ambition to become net zero carbon by 2030. The work the council has done on the COVID 19 recovery plan aims to develop a green recovery, and an initial report into net zero environment initiatives in B&NES has forecast the following potential direct economic impacts in the years from 2021-2030: -

Measure	GVA Impact	Employment Impact
Energy efficient housing retrofit/new build	£292 million	992 jobs
Green energy investment (construction and maintenance)	£311 million	1,000 construction and installation jobs 300 maintenance jobs
Vehicle charging infrastructure investment	£145 million	297 jobs

Additional indirect and induced economic and employment impacts from the above interventions will benefit the wider B&NES economy. Furthermore, the above three projects only demonstrate a small element of the entire low carbon economy; local food systems and growing local supply chains also present opportunities for growth in our district.

Further exploratory work will also be undertaken to evaluate the economic impact of B&NES responding to the ecological emergency.

The emerging opportunities also present a challenge for B&NES – to ensure our local residents and businesses maximise benefit of the transition to net zero (rather than competitors) for this there needs to be a focus on developing suitable commercial space and upskilling the resident population to be able to access these employment opportunities. Ensuring employment opportunities are available within localities is another priority, and where this isn't possible, investing in green transport solutions and digital infrastructure are other key considerations.

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Spatial Approach

B&NES also has an urban/ rural dynamic. This creates disparities in terms of infrastructure, housing, education and digital opportunities. Opportunities have been identified in terms of food production and energy to work towards a zero-carbon future within the rural area, however digital exclusion is a key concern giving the rise in remote working.

The rise of remote working has negatively impacted the City of Bath, with footfall in the city centre having decreased by circa 90% at peak lockdown and in the past two months footfall levels in the city centre have remained down between 20% and 40% compared with equivalent weeks in 2019 (source: Bath Business Improvement District footfall counters) . As previously noted, office requirements are changing although it is difficult to measure what the long impact will be.

Separately, the market towns of Keynsham, Midsomer Norton and Radstock have faced different challenges and opportunities in recent years, population increases and ensuing pressures on infrastructure and services. High streets within our market towns displayed relative resilience to COVID 19, aided by lower fixed costs, government support and increased demand from local residents.

All four of our key spatial areas face different challenges and opportunities: City of Bath, Keynsham, Somer Valley and Rural. For these geographically focussed issues to be addressed there needs to be longer term physical, enterprise and skills-based projects put in place which might not have an impact in the immediate term but will make longer term deeper impacts.