

Bath & North East Somerset Council

MEETING:	Housing and Major Projects Policy Development and Scrutiny Panel
MEETING DATE:	20 th September 2011
TITLE:	Delivering sustainable economic growth in B&NES
WARD:	ALL

AN OPEN PUBLIC ITEM

List of attachments to this report:

Appendix 1: Potential draft interventions

Appendix 2: Current economic performance and future trends

Appendix 3: The Story Executive Summary

Appendix 4: Delivering future economic growth

Appendix 5: Track record in supporting sustainable economic growth

Appendix 6: Map of Bath enterprise area

THE ISSUE

- 1.1 This paper sets out changes both to the economy and the Government's economic and finance policy since the publication of the Council's Economic Strategy 2010 – 2026, which impact on the support available to local people and businesses in creating and sustaining jobs. It is based on recent research published in May 2011 (see background papers section for link)
- 1.2 It requests input from the panel in developing policies and interventions that will support the delivery of sustainable economic growth in the District between 2011 and 2026 and lead to the creation of more local jobs. The panel's comments will feed into a Cabinet decision scheduled for November 2011
- 1.3 The format of this paper forms a potential skeleton of the Cabinet paper. Initial potential ideas for addressing the economic issues we face are outlined in Appendix 1
- 1.4 Key considerations are:
 - The Government's future model of financing, reducing the payments to Local Authorities from central grant allocations and increasing payment through incentives for achieving economic growth

- The risk that without intervention, at current levels of economic performance, we will not create the level of job growth that is planned for by the Core Strategy
- The area's current economic performance, which if continued into the future at current rates, indicates that not enough jobs, particularly of the target quality, will be created for local people
- The Localism Bill, which further strengthens the vital role of communities and locally elected representatives in achieving their own ambitions, rather than relying on central Government for solutions
- A significant reduction in national and regional support for business start up
- The role of the West of England and the emergence of the Local Enterprise Partnership for the area and the designation of the Bath Enterprise Area

2 RECOMMENDATION

The Housing and Major Projects Policy Development and Scrutiny Panel is asked to:

- 2.1 Input to the November 11 Cabinet Paper setting out the update of the Bath and North East Somerset Economic Strategy and recommending actions to support the creation of jobs for local people

3 FINANCIAL IMPLICATIONS

- 3.1 The paper is being drafted within the context of the current budget cash limits for 2012/13

4 THE REPORT

The following sections provide some context and a potential structure for the report to Cabinet in November. Further detail is contained in the appendices

Changes in Government policy

- 4.1 Over the past 12 months there have been significant changes in Government policy to support sustainable economic growth. These shift responsibility for delivering growth from national and regional Government to sub regional and local bodies
- 4.2 In March the Government announced its review of Local Government financing. In his announcement on 17th March, Eric Pickles MP, the Secretary of State for Communities and Local Government stated that *'the review will consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies. It will look at ways to reduce the reliance of local government on central government funding, increase local accountability and ensure that the benefits of economic growth are reflected in the resources authorities have.'*
- 4.3 This key shift in policy means Government expects local authorities to be far more active in supporting sustainable economic growth
- 4.4 Delivering this will be essential to maintain revenue levels as Government seeks to reduce local authority reliance on central government grant and provide revenue against growth. Moves towards this model can be seen in the implementation of the New Homes Bonus, the proposals for Business Rates Retention currently being formally

consulted by the Department for Communities and the designation of an Enterprise Area in the heart of Bath (resultant upon an Enterprise Zone in Bristol)

- 4.5 In addition with the closure of the South West Regional Development Agency and the end of the regional Business Link contract (and therefore free business start up advice sessions and workshops) emphasis is shifted towards local areas in supporting businesses
- 4.6 The implementation of the Localism Bill will ensure that local neighbourhoods are at the heart of any plans for local jobs growth, rather than interventions being imposed from elsewhere
- 4.7 This increasingly locally driven policy requires local responses. Potential actions are outlined appendix 1

Current economic performance and future trends

- 4.8 Appendix 2 sets out some detail on current economic growth trends
- 4.9 It summarises evidence from GWE Business West research, which shows that recent economic performance in Bath and North East Somerset has been reasonably smart (e.g. the work force has become more productive), but not very balanced (e.g. growth in jobs for Bath and North East Somerset residents has been below the regional and national averages)
- 4.10 This means the jobs created in Bath and North East Somerset have been good quality, but that overall not enough have been created to meet the skills profile and aspirations of residents
- 4.11 According to the Office for National Statistics Bath and North East Somerset will have an additional 11,000 resident adults of working age by 2026. Assuming current employment rates continue to 2026 (about 75% employment), an additional 8,250 jobs will be needed for these new Bath and North East Somerset residents
- 4.12 With appropriate interventions, of the sort proposed in Appendix 1, the Core Strategy ambition of a net increase of approximately 9,000 jobs is achievable. However based on the District's jobs growth performance over the past 10 years, without intervention only an additional 3,100 jobs will have been created by 2026. This would mean that, at the very least (as some of these jobs will be filled by in-commuters), around 5,500 residents will be forced to find a job outside the District
- 4.13 Overall, performance on jobs growth has not been the same everywhere. Some parts of the District have performed less well than others and this needs to be taken into account in any response. For example there are 12 wards out of 37 in the district which contain well over 50% of the total workless population (see appendix 2 for list)

4.14 The consequences of not addressing this jobs growth challenge could be:

- The Council could fail to benefit from the new local government growth incentives, particularly the new Business Rates Growth regime and find its resources reduced
- A reliance on areas outside of Bath and North East Somerset for future jobs growth
- Bath and North East Somerset could therefore have an increased dormitory role with higher levels of out-commuting and associated environmental impacts
- The out-migration of skilled and professional young people and a rapidly ageing workforce as a result
- A lack of growth in local daytime and early evening 'high street spend' and associated multiplier impacts
- Below average growth in workplace earnings and productivity
- Some communities fare disproportionately badly

Delivering future economic growth

4.15 The delivery of sustainable economic growth in Bath and North East Somerset is a key priority in the Council's Vision, the Sustainable Community Strategy, the Future for Bath, Keynsham and Somer Valley propositions, the Core Strategy, the Economic Strategy and the Economic Regeneration Delivery Plans. The rationale and story that underpins these long terms visions, strategies and policies is articulated in the draft document entitled 'Treasure and Transform – Our Route to Prosperity in Bath and North East Somerset'. A copy of the Executive Summary is attached at appendix 3 as context for this report.

4.16 Appendix 4 sets out the underlying strengths of the economy

4.17 In summary despite the recent trends of relatively weak overall job creation and a reduction in office accommodation highlighted in appendix 2, the revised Local Economic Assessment published in June 2011 sets out some real strengths of the area:

- A highly skilled workforce, with world class Higher Education provision focussed on growth sectors
- An established, but light touch, local business ecosystem supporting new businesses
- Clusters of highly productive businesses, many of them identified as key sectors in driving the UK's economic recovery
- Public sector and tourism jobs providing a backbone to the local economy and a steady flow of income somewhat protected from recession and international competition
- Once they start, very good business survival rates indicating a strong underlying economy
- Nationally and internationally known destinations

Potential future actions

4.18 In order to address the challenges in appendix 2 and build on the strengths above, the following are potential areas around which to develop an action plan:

- Ensure the District has an attractive profile and strong competitive identity to attract inward investment in accordance with the Bath and North East Somerset Economic Strategy (this is the Competitive Identity project)
- Ensure there is a regulatory, finance and support environment which enables existing businesses to develop and grow
- Ensure there is sufficient and appropriate employment space available for local job creation, building on the opportunity of the Bath Enterprise Area but also focussed on local neighbourhoods outside Bath
- Ensure there are sufficient and appropriate homes built to provide accommodation for people taking up these new jobs as set out in the Core Strategy, including university graduates
- Ensure that the transport, communications and cultural infrastructure supports the delivery of the above
- Continue to build an effective business support environment, by supporting key sectors and the universities
- Create and support an integrated network of networks in our key growth sectors

4.19 Further detail on potential actions are set out in appendix 1 for discussion

Track record

4.20 The Bath and North East Somerset Economic Strategy was published in 2010

4.21 Appendix 5 shows the key projects that have been delivered since then demonstrating the Council's ability to make a difference on this agenda and providing a basis for activities going forward

Conclusion

4.22 The three pillars of sustainable development are economic development, social development and environmental protection. To deliver sustainable development these need to be integrated together into coherent strategies

4.23 The current challenging economic climate and the reduction in public sector funding for business support make it difficult to create the jobs local people need and take forward economic development

4.24 However there are interventions which can address this challenge and the Council's track record, set out in appendix 5, shows we are well placed to meet them

5 RISK MANAGEMENT

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

6 EQUALITIES

6.1 The impacts of the recession have hit some communities harder than others as indicated in Appendix 2

6.2 The Local Economic Assessment highlights which communities these are, both in terms of places and particular groups

6.3 Any actions taken forward will be assessed to ensure that they mitigate against these impacts

7 CONSULTATION

7.1 Cabinet Member; Other B&NES Services; Bath and North East Somerset businesses; Chief Executive; Monitoring Officer

7.2 Consultation has been via circulation of the report and comments received. In addition over the coming months the Bath and North East Somerset Economic Partnership and the Local Enterprise Partnership will be consulted as the process proceeds

8 ADVICE SOUGHT

8.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) will have had the opportunity to input to the cabinet report when it is prepared for publication

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Background papers	<p><i>Smart Economic Growth for B&NES, GWE Business West, May 2011 available on the Council website at:</i></p> <p>http://www.bathnes.gov.uk/SiteCollectionDocuments/Environment%20and%20Planning/Planning/planning%20policy/June2011/C4-D4-E10%20Smart%20Growth%20Report%20FINAL%20June%202011.pdf</p> <p><i>The Bath and North East Somerset Economic Strategy 2010 – 2026 can be found at:</i>http://www.bathnes.gov.uk/SiteCollectionDocuments/Business/Economic_Strategy.pdf</p>
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