

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	9 November 2011	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2297
TITLE:	Delivering Sustainable Economic Growth	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: Updated Economic Strategy action plan Appendix 2: Economic Strategy target progress dashboard Appendix 3: Potential new Economic Strategy actions Appendix 4: Strengths of the local economy Appendix 5: Bath City Riverside 'City of Ideas' Enterprise Area Appendix 6: Economic Partnership proposed structure Appendix 7: Equality Impact Assessment Appendix 8: Housing and Major Projects Policy Development and Scrutiny Panel feedback		

1. THE ISSUE

- 1.1 The Council's Economic Strategy 2010 - 2026 was endorsed in April 2010. It contains actions and targets for all public and private sector stakeholders to pursue in order to deliver its overall aim to improve the prosperity and wellbeing of Bath and North East Somerset residents through a more productive, competitive and expanded economy by 2026.
- 1.2 Following a detailed review of the Strategy to examine whether its priorities and assumptions remain valid in the light of changing circumstances, this paper sets out:
- (1) The progress that has been made against the Strategy's actions and targets
 - (2) The economic context of the 1st year of the Strategy
 - (3) New Government policies that need to be taken into account; and
 - (4) Recommendations for some new interventions, which will help to deliver the targets

- (5) The increased focus on delivery of both jobs and enabling development projects

2. RECOMMENDATION

- 2.1 The Cabinet agrees:
- 2.2 That while the thrust of the Economic Strategy, launched in April 2010 remains valid and the basis for action (see Appendices 1 and 2 for progress reports), strengthened actions provided in Appendix 3 are required to ensure it meets the current economic challenges faced by the District. These include re-invigorated actions on worklessness and skills development, business support, delivering regeneration schemes and promoting the District as a business location
- 2.3 To note the changes in National Government Economic Policy, that have led to the creation of the West of England Local Economic Partnership (LEP) and that it is intended to resource our active engagement with the LEP in order to provide a strong voice in the sub region and nationally
- 2.4 (Following the launch of the LEP and the establishment of an Enterprise Zone at Bristol Temple Quarter and a recommendation for a series of Enterprise Areas in the West of England). That Bath City Riverside is designated as the B&NES' Enterprise Area (see Appendix 5 for a map). This will be established as a key zone for economic growth, with the ability to deliver 65% of the District's jobs growth by 2026 and play a key role in providing jobs for local people. It will be resourced through Development and Major Projects to bring forward its development opportunities
- 2.5 To support the delivery of the Bath City Riverside 'City of Ideas' Enterprise Area a plan will be developed, which will be brought back to Cabinet in March 2012, that sets out the options for financing its delivery, called Planning the Future, Financing the Future, and explore options for providing incentives to high growth business sectors. This will support the delivery of the Council's Placemaking Plan
- 2.6 The Bath and North East Somerset Sustainable Growth Alliance will be re-launched and re-named the Bath and North East Somerset Economic Partnership. It will mirror the LEP structure and will focus on delivering the District's key developments, including the Bath Enterprise Area. Its effectiveness will be reviewed after one year (see Appendix 6 for proposed structure)
- 2.7 In order to maximise the benefits to be gained from the New Homes Bonus, Bath and North East Somerset will work with our partners, including the Homes and Communities Agency, to strongly focus on bringing forward the key housing led and mixed use sites in the District, all in accordance with the Core Strategy

3. FINANCIAL IMPLICATIONS

- 3.1 The paper is being drafted within the context of resources available within the current on-going budget cash limits for 2011/12 and will be subject to final budget approval for 2012/13

4. CORPORATE PRIORITIES

- *Building communities where people feel safe and secure; Sustainable growth; Improving the availability of Affordable Housing; Addressing climate change*

5. THE REPORT

Context

- 5.1 Appendix 1 provides a narrative of progress against the actions in the Economic Strategy. This shows that the Council and its partners have engaged in a wide range of projects against all the priority actions.
- 5.2 Appendix 2 sets out progress towards the 2013 targets in the Economic Strategy. In spite of the range of projects delivered, 5 economic indicators are at risk of missing their 2013 target. 4 others are on track and 3 are ahead of target
- 5.3 The targets which are at risk relate to the number of business births, Super Output Areas in the lowest 20% of the Index of Multiple Deprivation, the percent of jobs in high growth sectors¹, the Gross Value Added per worker² and the proportion of the working age population with at least level 2 NVQ or higher
- 5.4 The current economic context, set out in this report, shows that while Bath and North East Somerset has particular economic strengths (see Appendix 4 for a summary), it is not immune from the current challenging macro-economic climate. As the report shows in sections 5.10 to 5.17, unemployment is rising, particularly among 18-24 year olds, where 33.1% of all Job Seeker Allowance claimants are in this age group (up from 28.5% in July 2011), productivity growth has stalled and the amount of employment space in the District is falling
- 5.5 With appropriate interventions of the nature and variety set out in Appendix 3 it is considered that the net increase of approximately 9,000 jobs set out in the Core Strategy is achievable.
- 5.6 However the key issue to consider is that current economic analysis suggests that without these interventions and assuming the job creation trends of the last 10 years continue to 2026, only 3,100 net jobs will by then have been created.
- 5.7 Interventions would need to lead to a 150% increase in job creation performance to 2026 to meet this target. This would be a challenge with a strong economy, but is even more so in the current economic climate.
- 5.8 The risks of not delivering these new jobs are that the Council may fail to benefit from the new local government growth incentives and find its resources reduce. Bath and North East Somerset could in these circumstances have an increasing dormitory role with higher levels of out commuting and associated environmental impacts as people commute to find jobs elsewhere. The effect would be particularly acute among young people who are forced away from Bath and North East Somerset to find suitable employment opportunities elsewhere

Key changes

- 5.9 The following sections outline the key changes in the economy and in Government policy that have taken place over the last 18 months and which have led to the development of new proposed actions to deliver the Economic Strategy.

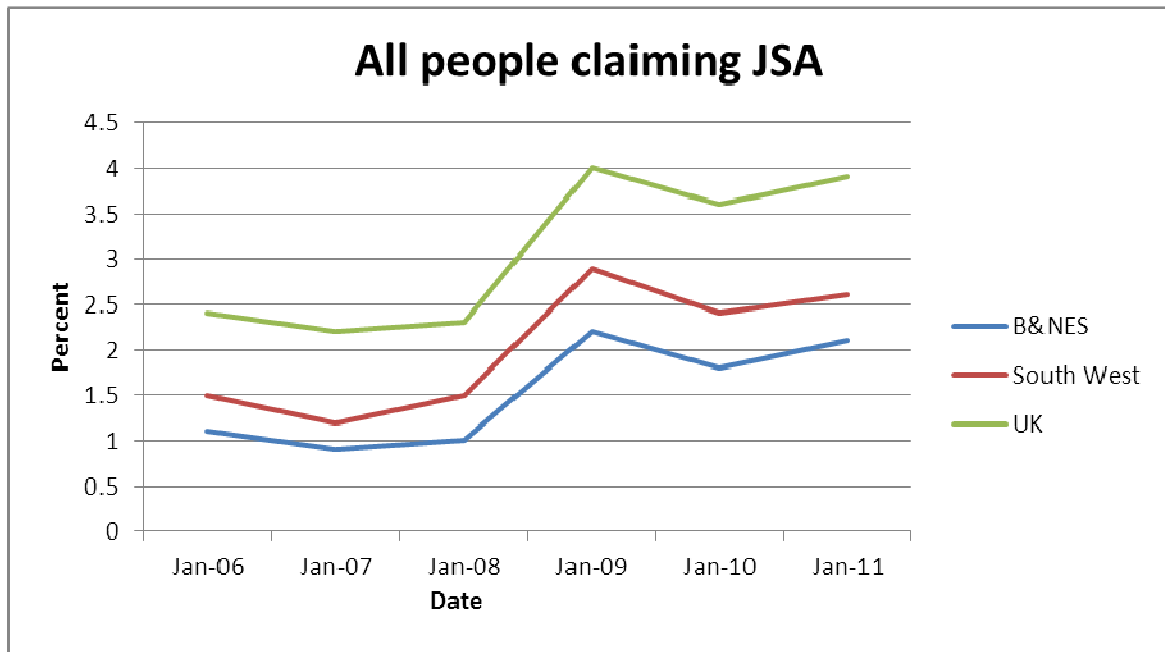
¹ These first two indicators are however subject to delays in data release and the latest figures are for 2009

² Gross Value Added (GVA) is the measure of worker productivity. The higher the GVA the more wealth being created

Employment

5.10 Table 1 below indicates Bath and North East Somerset is not immune from sluggish growth that currently marks the national economy, including the recent rise in UK unemployment. The District tends to track what happens nationally albeit at a lower level. With the recent announcement of the closure of the MOD sites in Bath and the decisions in the past 2 years of a major employer in Keynsham and more recently in the Somer Valley to relocate outside the District, there is a risk that the gap between local and UK performance may start to close

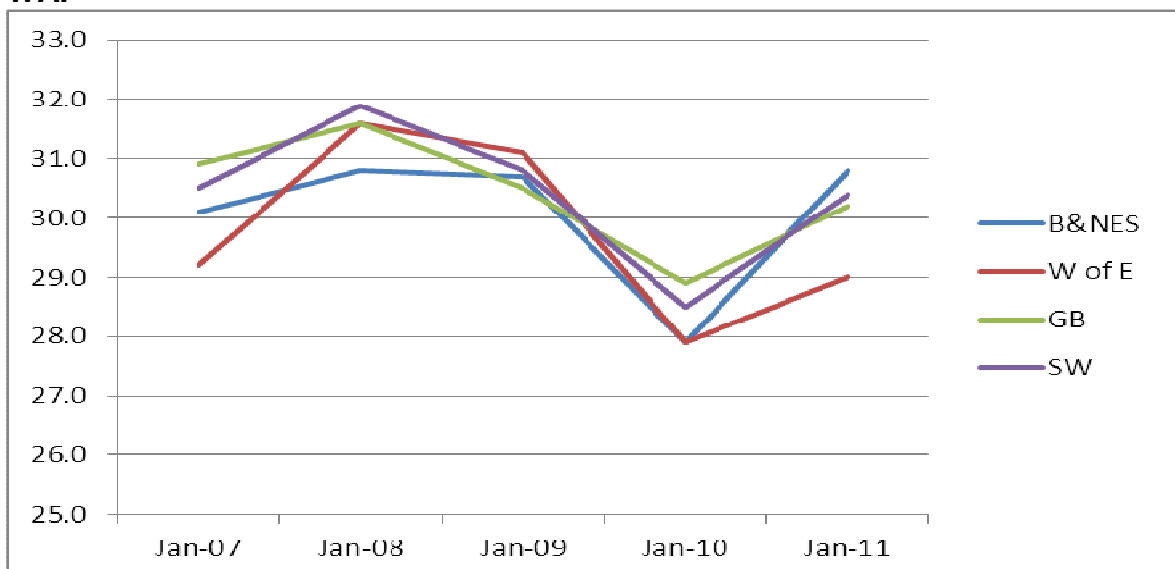
Table 1: Job Seekers Allowance claimants



Source: NOMIS

5.11 Table 2 below shows some early signs that this may be happening. The District has seen a noticeable rise in the proportion of those aged 18-24 as a proportion of the total working age population (WAP), claiming JSA in the past year.

Table 2: Percent of 18-24 year olds claiming JSA as a proportion of total WAP

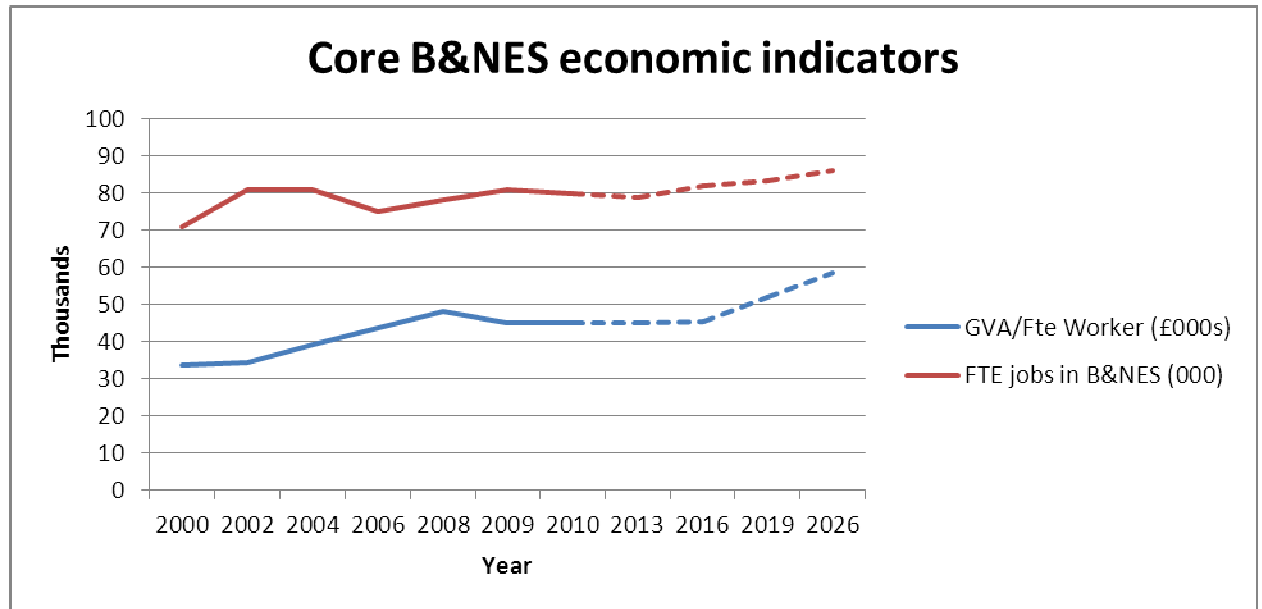


Source: ONS claimant count, August 2011

Business Growth

5.12 Table 3 below shows two key economic indicators for Bath and North East Somerset, Gross Value Added (GVA) per worker and number of full time equivalent (FTE) jobs across the District. These indicate the productivity of the workforce (measured by GVA) and the number of jobs for resident workers and are a good summary of the overall health of an economy.

Table 3: Core B&NES economic indicators



Source: Econi, South West Observatory

5.13 The table shows that over the past 10 years, productivity, measured by GVA, increased from about £36,400 in 2001 to £43,400 in 2011 per Full Time Equivalent (FTE) worker, ranking the District 3rd out of 15 South West authorities and higher than the national and South West average growth. Over the same period 3,000 jobs were created, ranking the area below the national and South West averages

5.14 The table also shows the step change required to deliver the Economic Strategy targets to grow total Full Time Equivalent employment by 10% and grow Full Time Equivalent productivity by a further 30% by 2026.

5.15 This is a significant challenge in the current economic climate and therefore productivity growth and employment growth are expected to vary considerably across the period

5.16 In addition to this between 1998 and 2008 Bath and North East Somerset suffered a net loss in office space equivalent to about 3.19% per annum. Similarly, while there has been a small net increase in factory and warehousing floorspace, the overall performance ranked the area 9th out of 11 authorities measured in the South West and just 50% of the regional average performance.

5.17 This falling provision of employment space acts as a significant drag on the District's ability to create new jobs and raise productivity levels

Summary

- 5.18 This analysis shows that the key challenges for the District therefore are:
- (1) The need to make a step change in job creation across the District
 - (2) The need to continue to improve the productivity of the workforce
 - (3) In order to achieve the above targets, the need to reverse recent trends and start to create modern office workspace
- 5.19 Despite these challenges and unlike many other areas, Bath and North East Somerset does have real economic strengths, which mean it is in a good position to come out of the economic slowdown stronger than before and with a higher proportion of private sector jobs
- 5.20 Bath and North East Somerset is already treasured for its outstanding physical, environmental, cultural and human assets. This makes it a place that people want to come to live and work
- 5.21 The recently published Local Economic Assessment sets out some further economic strengths of the District, which should make us confident for the future economic success of the area. These are set out in appendix 4, but in summary they are:
- (1) A highly skilled workforce, with world class Higher Education provision focussed on growth sectors
 - (2) An established, but light touch, local business ecosystem supporting new businesses
 - (3) Clusters of highly productive businesses, many of them identified as key sectors in driving the UK's economic recovery
 - (4) 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
 - (5) Once they start, very good business survival rates indicating a strong underlying economy
 - (6) Nationally and internationally known destinations
- 5.22 Bath and North East Somerset therefore has real strengths and opportunities to build on its success in highly productive sectors. However as illustrated above, economic growth remains constrained in particular by a lack of new job creation and insufficient modern office space for businesses to locate
- 5.23 This evidence reinforces the aim of the Economic Strategy, which is *to build on our strengths to enable growth of more high value activities* and the overarching actions to deliver this aim:
- (1) Providing more business premises to allow indigenous business growth and attract new companies

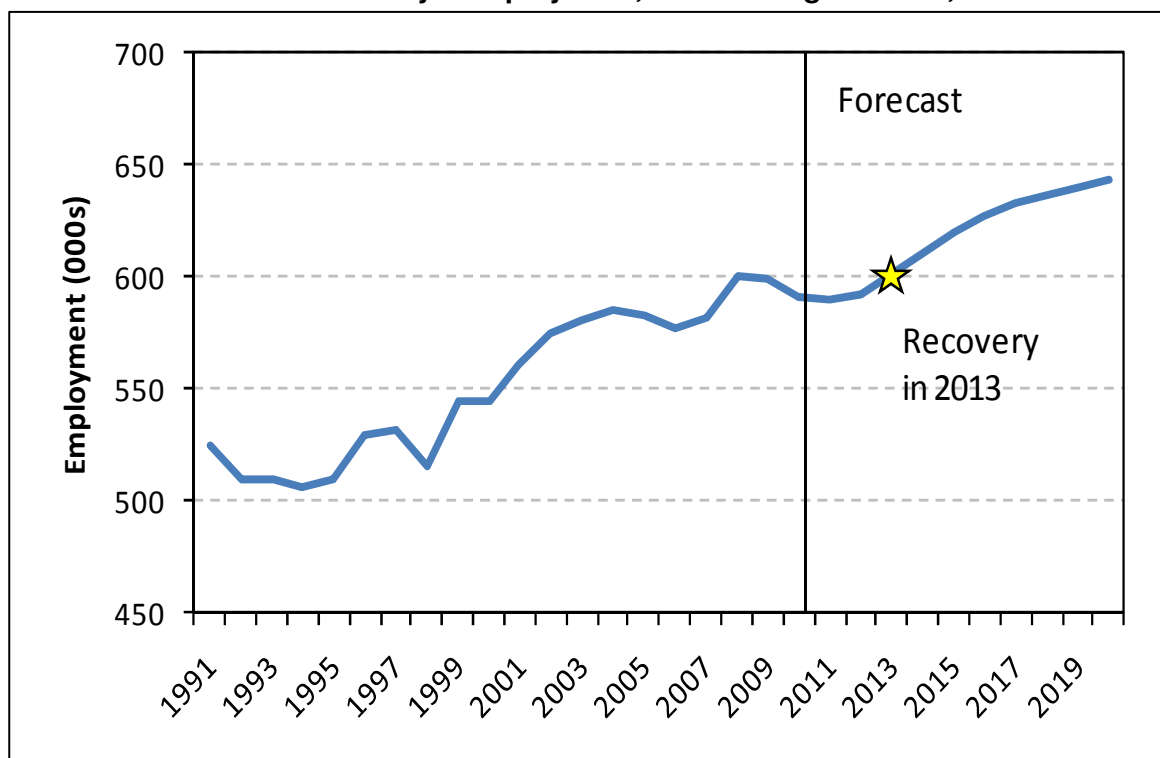
- (2) Support more innovation, start up and business growth locally, particularly in more productive sectors
- (3) Maintain and strengthen our market position in retail, leisure, tourism and manufacturing
- (4) Improve our competitive identity
- (5) Anticipate the skills needs of growth sectors and make a contribution towards ensuring the population is suitably skilled

The way forward

- 5.24 The rest of this report makes the case for new actions to be included in the Economic Strategy
- 5.25 The most fundamental change that has taken place since the publication of the Economic Strategy is the way that the Government is supporting sustainable economic growth. This has provided a number of new opportunities for the local area, which need to be embraced
- 5.26 The Government has endorsed a series of Local Enterprise Partnerships (LEPs). These private sector led partnerships between business and Local Authorities are expected to play a key role in promoting local economic development. They will take on some of the roles of the Regional Development Agencies, which will close in March 2012
- 5.27 The West of England LEP has been formed and is now functioning with Bath and North East Somerset, Bristol City Council, North Somerset and South Gloucestershire and business leaders developing a strong business plan for the area
- 5.28 The LEP has focussed on specific priorities that aim to tackle the barriers to private sector growth:
- (1) Agreeing an Enterprise Zone in Bristol, where the Local Authority will put in place a Local Development Order and the Government will prioritise investment in infrastructure and support business rate retention
 - (2) Proposing 5 Enterprise Areas sitting alongside the Enterprise Zone in order to provide a coherent West of England investment offer. Bath City Riverside 'City of Ideas' Enterprise Area is proposed to be one of these, with the estimated potential to create 9,000 jobs over the next 25 years
 - (3) Supporting the submission of the West of England's major transport schemes to the Department for Transport
 - (4) Engaging with Government Ministers to promote the infrastructure and business support needs of the West of England
 - (5) Supporting bids into Government to the Regional Growth Fund
 - (6) Developing strong sector support groups especially in the West of England's key strength sectors

- 5.29 Internationally Bristol and Bath are the two most well-known and economically significant locations in the West of England.
- 5.30 As Table 4 below shows, according to Oxford Economics, the West of England economy as a whole is projected to ‘recover’ by 2013, compared with Local Enterprise Partnerships in Core Cities by 2015 and Core Cities in general by 2015/17.

Table 4: Potential for ‘recovery’: Employment, West of England LEP, 1991 - 2020



Source: Oxford Economics 2011

- 5.23 The strengths of the West of England, such as its locational advantages, diverse economy and key sectors with high GVA outputs, put Bath and North East Somerset at the heart of a strong and confident sub region. This will aid job creation within Bath and North East Somerset, as the region competes successfully with other sub regions and attracts investment.
- 5.24 In the absence of RDA funds and to provide some funding to support projects that promote local economic growth the Government has launched a small number of grant funds, which are competitive. These include the Regional Growth Fund, a £1.4 billion programme to support private sector investment. The indications are that this competitive bidding approach is one which the Government will continue to pursue, putting the District and the sub region in direct competition with other UK sub regions for Government investment
- 5.25 The Strategy for Growth also further promotes the importance and economic potential of a low carbon economy through opportunities such as the Green Deal and the Renewable Heat Incentive to generate local low carbon economic growth
- 5.26 The Government has also introduced its Localism Bill. Its aim is to shift power from central Government back into the hands of individuals, communities and councils

- 5.27 As part of this approach the Government is now also consulting on future financing of Local Authorities
- 5.28 In announcing the review Eric Pickles MP, the Secretary of State for Communities and Local Government stated that it will *'look at ways to reduce the reliance of local government on central government funding, increase local accountability and ensure the benefits of economic growth are reflected in the resources authorities have.'*
- 5.29 The scope of the initial consultation is on proposals to allow local authorities to retain business rates, and to explore options for enabling authorities to carry out Tax Increment Financing within the business rates retention system
- 5.30 The Government has already introduced a new way of financing housing growth, through the New Homes Bonus (NHB). This provides local authorities with income for each house built for the following six years. The income from NHB is not ring fenced and can be spent locally, on local priorities
- 5.31 The Core Strategy proposes a requirement to build 11,000 homes by 2026, equivalent to 550 per year. Our track record shows that between 2006 and 2011 on average 393 have been built. To address this backlog and get back on track the Strategic Housing Land Availability Assessment indicates the need to build 3,626 homes between now and 2015/16
- 5.32 Delivering this is critical if Bath and North East Somerset is to maximise the opportunity of the New Homes Bonus and also to deliver sufficient homes for the future workforce, which will generate further income through business rate retention
- 5.33 Sufficient sites have been identified in Bath, the Somer Valley and Keynsham to deliver these targets, but a concerted effort will be required to ensure delivery
- 5.34 The NHB and the potential for business rate retention mark a radical change in the way local authorities are funded. The consultation claims that any council that grows its local economy will be better off under this new system. Conversely without growth local authority income will reduce as Government seeks to reduce the proportion of funding provided by Local Authority grants
- 5.35 Estimates on the Enterprise Area indicate an opportunity for an additional £292 million to be collected over the next 25 years from business rates and £17.3 million from the NHB, both of which can be used locally
- 5.36 In the light of this evidence and following a detailed review by the new Bath and North East Somerset Council Administration, the revised Economic Strategy action plan therefore puts forward re-invigorated actions on worklessness and skills development, business support, regeneration schemes, and promoting the District as a business destination in order to promote local business and jobs growth, as well as the following new actions:
- (1) Given the high profile of the West of England, its economic potential and the opportunity to benefit from its recovery, Bath and North East Somerset Council will continue to **ensure our active engagement with and influence on the West of England Local Enterprise Partnership** to ensure a strong voice in the sub region and nationally through appropriate resourcing

- (2) The opportunity presented by the Bath City Riverside 'City of Ideas' Enterprise Area (EA) is central in delivering our jobs and office accommodation targets. Bath sites account for approximately 65% of the total potential net jobs growth in the District. It is therefore critical that the sites in the EA come forward and Bath remains the economic heart of the District, in order to generate the potential revenues from business rate retention. To deliver this **the Bath Riverside Enterprise Area will be established as a key zone for economic growth and resourced through Development and Major Projects to bring forward the development opportunities (see Appendix 5 for a map)**
- (3) To support the delivery of the Bath Riverside Enterprise Area **a plan will be developed, which will be brought back to Cabinet in March 2012**, that sets out the options for financing its delivery, called Financing the Future, and explore options for providing incentives to particular high growth business sectors. This will support the delivery of the Council's Placemaking Plan
- (4) In order to make sure that the private sector is influencing the West of England Local Enterprise Partnership Bath and North East Council, with business leaders and HE and FE partners will **re-launch the Sustainable Growth Alliance as the Bath and North East Somerset Economic Partnership**, providing a strong and influential business voice into the LEP. Appendix 6 provides a potential structure for the Partnership. Its effectiveness will be reviewed after 1 year
- (5) In order to maximise the benefits to be gained from the New Homes Bonus, Bath and North East Somerset will work with our partners, including the Homes and Communities Agency, to strongly focus on **bringing forward the key housing led and mixed use sites in the District**, all in accordance with the Core Strategy

6. RISK MANAGEMENT

- 6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.

7. EQUALITIES

- 7.1 An Equality Impact Assessment has been carried out and is attached as Appendix 7
- 7.2 The Equality Impact Assessment highlights two potential impacts. First ensuring we understand the economic performance of different groups in our District, which will be mitigated by monitoring through a quarterly economic report. Second ensuring business support services are delivered to groups in an accessible way. We will mitigate against this risk by undertaking an evaluation of Council supported business support services

8. RATIONALE

- 8.1 The Economic Strategy has been examined to identify whether it remains fit for purpose in the light of changes in Government policy to support economic growth and the current state of the economy

- 8.2 The recommendations set out in section 2 result from the above analysis. These are a series of actions which will build on the existing strengths of the economy and tackle any weaknesses, adjust to new Government policies on supporting economic growth and strengthen the financial position of the local authority in the light of the Government's changing approach to financing local government
- 8.3 The basic premise is to strengthen the economic core of the District and the West of England sub region. Internationally Bristol and Bath are the two most well known and economically significant locations in the area and we need to promote these to attract interest from investors. We will then be able to promote opportunities across the District. A very strong Bath brand is vital in order to generate additional revenue that can be redistributed to support growth in other areas

9. OTHER OPTIONS CONSIDERED

- 9.1 The analysis of the economy shows the potential consequences of not addressing the jobs growth challenge set out here:
- (1) By not intervening, the Council could fail to benefit from the new local government growth incentives, particularly the new Business Rates Growth regime and the New Homes Bonus and find its resources reduce. Estimates on the Enterprise Area indicate an opportunity for an additional £292 million to be collected over the next 25 years from business rates and £17.3 million from the NHB, both of which can be used locally.
 - (2) A reliance on areas outside Bath and North East Somerset for future jobs for its resident population because insufficient jobs are created locally
 - (3) If (1) and (2) occur, Bath and North East Somerset could therefore have an increased dormitory role with higher levels of out commuting and associated environmental impacts and potentially and more severely, an exodus of young people and an overly accelerating ageing population. Table 2 on page 4 shows there may be some evidence that this is already happening, with a rising proportion of 18-24 year olds claiming JSA as a proportion of all the Working Age Population
 - (4) Out-commuting of skilled and professional young people to find work (or their exodus over the longer term) could lead to a lack of growth in daytime and early evening 'high street spend' and associated multiplier impacts. This could mean less money circulating in the local economy, impacting on the quality of life of residents

10. CONSULTATION

- 10.1 Cabinet member for Sustainable Growth, Housing and Major Projects Policy Development and Scrutiny Panel (see appendix 8 for notes from the meeting), Council departments (property services, planning policy, policy and partnerships, skills and employability), B&NES Initiative, University of Bath, Bath Spa University, Job Centre Plus, Smart Growth Analytics, Business West, Bath and North East Somerset Learning Partnership, Small Business Focus
- 10.2 These consultations have been undertaken through face to face conversations, presentations and via circulation of draft report

11. ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 *Social Inclusion; Sustainability; Property; Young People;*

12. ADVICE SOUGHT

12.1 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.

Contact person	John Wilkinson, Economic, Enterprise and Business Development Manager 01225 396593
Sponsoring Cabinet Member	Councillor Cherry Beath
Background papers	Economic Strategy, 2010 - 2026 Smart Economic Growth for B&NES (including Economic Regeneration Delivery Plans): Cabinet meeting 3 November 2010 Local Government Resource Review: Proposals for Business Rates Retention Decentralisation and the Localism Bill: an essential guide Smart Economic Growth for B&NES: Final Report, May 2011
Please contact the report author if you need to access this report in an alternative format	