



**Bath and North East Somerset  
Council**

**Smart Economic Growth for  
B&NES - Achieving a Higher  
Growth Economic Scenario to  
2026**

**May 2011  
FINAL REPORT**

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## Executive Summary

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### **‘Smart Growth’ and ‘Balanced Growth’ are essential in achieving ‘Sustainable Economic Growth’**

Outside of productivity growth, the main driver behind local economic growth is growth in the population and particularly growth in the associated working age population; as the local working age population grows, more jobs / employment are required for these workers, and more local goods and services are required to accommodate and service these workers and their families.

As with most local economies, Bath and North East Somerset (B&NES) has the long term economic challenge of ensuring a competitive local workplace economy which will provide sufficient volumes and types of additional job opportunities (and employment space) to meet the requirements of the expected growth in its working age population. A growth approach such as this can be referred to as ‘balanced growth’.

At the same time, absolute growth of the B&NES economy in the future will be constrained by such factors as housing growth (and associated resident workforce growth), appropriate floorspace growth and the limitations of the underpinning transport and communications infrastructure to support additional economic activity. However, through productivity improvements (by focusing on the growth of higher value added sectors), ‘smart economic growth’ represents a growth approach which enables a local economy to maximise its workplace output growth, whilst minimising its associated usage of the key economic resources of labour and housing and additional employment floorspace and transport.

Balanced and smart economic growth goes a considerable way towards the achievement of sustainable economic growth because it is a growth approach which attempts to minimise additional commuting, whilst at the same time maximising output from limited resources available.

### **Recent B&NES economic performance has been reasonably smart, but not balanced, and is not sustainable going forward**

Over the last ten or so years, the B&NES workplace economy grew reasonably well in overall economic output terms. However, this growth has been fuelled by excellent workplace productivity performance improvements as opposed to growth in workplace jobs in the area. It has also been achieved without growth in employment floorspace; over the last ten years, decline in Office floorspace, combined with relatively weak growth in Factory and Warehousing space, has given the B&NES economy one of the lowest industrial floorspace growth performances in the South West region. It can be concluded that there has been limited intervention to increase the supply of premises over this period.

With a growing resident workforce but lack of indigenous jobs growth, B&NES will have experienced a surge in net out-commuting during this time, with B&NES’ residents increasingly reliant upon jobs growth outside of the area. At the same time, the workplace economy has been reliant upon productivity improvements for growth. The main problems with these recent growth trends concern the vulnerable situation of an economy which has become increasingly reliant upon surrounding economies for employment, and also the difficulties associated with relying on ever-increasing (and ever more difficult) productivity improvements for workplace economic growth. The environmental and social aspects associated with longer commuting journeys are also undesirable features of B&NES’ recent growth patterns.

From the perspectives of sustainable economic growth and risk, it is clear that such growth trends cannot continue into the future.

## The consequences of continued unsustainable growth patterns in B&NES are severe

The consequences of B&NES not achieving the 'Balanced Growth' element of sustainable growth are as follows:

- Increased dormitory role with increased out-commuting and associated environmental impacts;
- A reliance on areas outside of B&NES for future jobs growth;
- The out-migration of skilled and professional young people and a rapidly ageing workforce profile as a result;
- A lack of growth in local daytime and early-evening 'high street spend', and associated multiplier impacts.

The consequences of not achieving 'Smart Growth' are:

- Below average workplace output growth
- Below average growth in workplace incomes
- Below average productivity (competitiveness) growth

## Economic Growth Scenarios for B&NES to 2026

In order to inform the Council's approach to ensuring smart and balanced / sustainable economic growth, three detailed 'Economic Scenarios' for the B&NES workplace economy have been developed. The three Scenarios describe the B&NES economy of the future (in 2026) through use of the key economic indicators of Productivity, Jobs, GVA and Employment Space. Each Scenario corresponds with a certain 'level' of public sector intervention, to ensure the smart and balanced growth of the B&NES economy:

- Scenario 1...a 'Business as Usual' Scenario where no uplift in Council interventions take place
- Scenario 2...a 'Medium Intervention' Scenario where a mid-range portfolio of Council interventions take place to enable smart and balanced growth
- Scenario 3...a 'Higher Intervention' Scenario where a higher-range portfolio of Council interventions take place to enable smart and balanced growth

The Scenarios show B&NES performance **relative** to expected national and regional economic performance such that they remain useful however the UK or region performs in the event. I.e. they show B&NES 'tracking' above, or below, these benchmark areas.

The national macroeconomic performance context, the South West regional performance, and the key B&NES economic implications on key growth indicators, for each Growth Scenario, are set out in the Summary Table below.

### Summary of the B&NES Growth Scenarios

	Average Annual Growth Performance, 2006 to 2026, % per annum			
	Productivity	Jobs	GVA	Employment Space
IF...UK economy performs at this level...	1.61	0.35	1.97	n/a
...then South West will perform at this level...	1.46	0.54	2.01	n/a
...and B&NES will perform...				
...under <b>Scenario 1</b> ('Business as Usual')...	1.44	0.16	1.61	-0.19
...under <b>Scenario 2</b> ('Medium Intervention')...	1.45	0.45	1.90	0.27
...under <b>Scenario 3</b> ('High Intervention')...	1.56	0.56	2.13	0.60

### 'Business as Usual' (Lowest Intervention) Scenario

The "Business as Usual" Scenario 1 (a 'No uplift in interventions' Scenario) represents the future for the B&NES economy in the absence of any interventions to ensure the labour supply and employment space pre-conditions for economic growth are met and to actively support growth and investment in B&NES through wider interventions aimed at the business community. This Scenario is the Scenario predicted for B&NES by the only two recent detailed Sub-regional Economic Forecasts for the South West<sup>1</sup>.

The Scenario shows B&NES growth to be severely constrained by a lack of suitable premises but not by a lack of workers (so long as the houses are built in B&NES as set out in the Keith Woodhead Report to accommodate its expected rise in population to 2026 and the underpinning transport and communications infrastructure grows or improves commensurately).

Under these circumstances B&NES will create just 3,000 additional jobs, 1,000 of which will be in B use Employment Sectors and 2,000 in Non-B use Employment Sectors. If the housing growth proposed in the Keith Woodhead Report is achieved this Scenario would result in an additional 6,000 or so resident adults being forced to commute out to find work and earn their income. Even under this 'no uplift in interventions' Scenario, offices for 4,000 new office jobs will be required and so interventions will still be required to bring some sites forward. However, the decline of Manufacturing means the overall need for B Use Employment Space across B&NES would decline. Average Annual Growth in B&NES GVA, would be some 80% of national and regional expected performances to 2026.

The implications of the Business as Usual Scenario are at best unsustainable and at worst catastrophic. The Scenario shows that Bath will not fulfil its potential as a major employment centre in Business services and that its economy will become increasingly reliant on jobs in lower paid commercial sectors of Retail and Tourism and higher paid, but non commercial sectors of Health and Education. The B&NES economy will see too little growth in B use employment sectors which take place in offices or factories/warehouses and which provide professional and/or commercial jobs which suit the very nature of the residents of B&NES. As a result they will have to rely on growth of job opportunities elsewhere and B&NES increases its dormitory role and is responsible for more out-commuting. The Scenario is hugely risky in

<sup>1</sup> Oxford Economics Limited Growth Scenarios for the South West Economy, June 2010, and South West Economy Projections, Experian Business Strategies, Spring 2010

that the growth of suitable job opportunities outside of B&NES simply may not happen. In summary, this Scenario represents unbalanced and unsustainable growth.

### **‘Medium’ Intervention Scenario**

Under a “Medium Intervention” Scenario, Scenario 2, B&NES manages to ‘ramp up’ local jobs from the additional 3,000 expected under the Business as Usual Scenario to just under c.9,000 additional jobs (14,000 gross). Unlike the earlier Scenario, it provides sufficient employment opportunities for the rise in B&NES population given the new house build. Interventions in Keynsham and Somer Valley are focused on preserving employment in Manufacturing and Transport and communications such that they don’t decline as forecast (some 1,500 net new jobs are created in Keynsham and 1,000 created in the Somer Valley). A total of 6,000 net new jobs are created in Bath and 500 in the Rest of B&NES. The Scenario shows some growth attracted to the markets towns as a result of interventions to support regeneration, but also interventions in Bath to ensure a higher level of growth is achieved than under the Business as Usual Scenario.

The Medium Scenario requires offices for 5,000 new office jobs (so further sites need bringing forward than under the Business as Usual Scenario). This requires a 27% increase in current provision, equivalent to 90,000 sq m of space. The Scenario shows that Average Annual Growth in B&NES GVA would be some 95% of national and regional expected performances, suggesting that even with a Medium level of intervention, economic growth across B&NES to 2026 will remain lower than that experienced nationally and regionally.

### **‘Highest’ Intervention Scenario**

Under the Highest Intervention Scenario 3, a higher level portfolio of B&NES-wide enhanced interventions take place. These are as per the Medium Scenario for Keynsham and Somer Valley (where interventions reduce losses in Manufacturing and Transport and communications) but in addition significant interventions in Bath take place to boost its growth performance in Higher Value Added growth sectors, halt decline in declining HVA sectors and trying to ensure that other sectors (i.e. non Higher Value Added sectors) grow as expected nationally.

The Scenario see the generation of an additional 11,000 jobs to 2026 and requires a 2,300 net commute change in B&NES’ favour. It requires additional office accommodation in Bath of an estimated 130,000 sq m. However, the Scenario sees Average Annual Growth of 105% to 110% national and regional performances i.e. it shows slightly above average economic growth for B&NES to 2026.

### **Council Intervention (to avoid the Business as Usual Scenario)**

The findings suggest that the Council should, at the very least, adopt, and implement, a mid-range portfolio of interventions if it is to avoid the (potentially disastrous) Business as Usual Scenario.

As with any local economy, and outside of productivity improvements, economic growth occurs as a result of additional factors of economic production being combined; entrepreneurs combine land & premises, labour, and capital investment to produce goods and services which are sold. If any of these factors are constrained, directly or indirectly, then this will inhibit growth. The main ‘pre-conditions’ for local economic growth are therefore net additional employment floorspace, net additional workers and net additional levels of capital investment.

In addition to the pre-conditions, there are also a number of ways in which the Council can help to secure higher levels of investment which will ensure smart and balanced growth.

Any Council interventions should be justified by clear evidence of market failure (and prioritised according to their additionality).

## Ensuring the Supply ‘Pre-conditions’ for (Smart) Economic Growth

This study has shown that it is highly unlikely that labour supply growth will act as a constraint on economic growth in B&NES; the labour supply pre-condition for economic growth in B&NES will be met as a result of its expected rise in working age adults to 2026 (so long as the houses are built to accommodate the workers as set out in the Keith Woodhead Report).

The main priorities for the Council surrounding the preconditions for smart growth are thus:

- Ensuring Net Additional Employment Floorspace
- Ensuring that sufficient housebuild is achieved to provide accommodation for an additional 8,700 new net additional jobs across B&NES (as is set out in the Keith Woodhead Report).
- to ensure that the under-pinning transport and communications infrastructure in B&NES can cope with the additional workers and their commuting requirements, and the additional economic business activity across all sectors of the economy which will be being undertaken in B&NES in 2026.

## Interventions to attract and encourage ‘higher value added’ business investment

Outside of its remit in setting the preconditions for economic growth across B&NES to secure balanced growth, the Council also has a role in ensuring that the growth which does occur is also smart growth (in that it is higher value added in nature and makes best use of limited net additional resources to 2026 of land, labour and capital investment).

Smart growth is also important for ensuring balanced growth; the new business investment that occurs in B&NES should also be above-average value added such that it provides the new job opportunities which suit B&NES’ highly qualified workforce.

If B&NES Council wishes to achieve a medium to higher growth economic Scenario to 2026, particularly with its limited resources of land and labour, then it should consider further practical support and engagement in HVA support measures which are aimed at nurturing the development and growth of existing and emerging Higher Value Added Industry Sectors.

This study has shown that the ‘game changing’ higher growth activity for the Council to consider is enhanced Perception and Investment support. Following Perception and Investment, other higher growth intervention activities in which the Council should engage, as they are likely to offer the Council the greatest ‘Return on Investment’, include support for:

- Design and branding
- Networks and partnerships
- R&D innovation and capacity

Also worth considering, as they can produce an adequate ROI, particularly in certain circumstances, are:

- Skills development
- Quality and standards
- Leadership and management
- University collaboration

- Tax incentives and financial support

Since Perception and Investment support offers the greatest returns for Council Intervention to achieve higher growth, a key consideration in taking the work forward is whether B&NES wishes to establish its own perception and investment team, or whether this is likely to also be an area of activity for the LEP. A number of suggestions are made in this study, should the Council decide to provide enhanced support on perception and investment outside of the LEP.

## Area Specific Interventions / Recommendations

### *Bath City*

In achieving either of the higher growth Scenarios, and avoiding the potentially disastrous and unsustainable low growth Scenario, B&NES Council intervention in Bath must focus upon bringing forward central sites for office development as quickly as possible. Future transport planning to and in and around Bath City will also be crucial in supporting additional economic activity and commuting.

A major campaign of supportive perception and investment activity will be required for the City, though this needs to be informed by the undertaking of the suggested Venn cluster analysis to identify the Bath USPs (an analysis which considers current workplace economic strengths along with resident economic strengths and learning strengths). For example, Bath is tremendously fortuitous in having access to one of the most highly qualified and experienced resident workforces in the Country. It also has significant commercial provision in such areas as Design and branding and HE (and FE) provision in R&D and innovation.

A provisional Venn cluster analysis suggests that Bath City has major cluster development potential in such professional service areas as consultancy, design and leadership and management (as well as already evidenced clusters in Creative and ICT). Bath is also one of the most internationally well-known cities in the UK.

Depending upon the outcome and findings of a sector / cluster analysis, there is perhaps the opportunity to position Bath as an international centre of business solution and knowledge. As part of this, and as a focal point, the Council could consider the development of managed workspace / incubation / meeting and networking facilities. The workspace should be closely linked to the existing Innovation Centre.

### *Keynsham*

The main intervention priority in Keynsham in the achievement of a higher growth Scenario is the careful redevelopment of Somerdale, combined with supportive perception and investment activities. The development of part of the site as a 'Business Campus' has been suggested (a prospect which would require sector-specific supporting perception and investment activities).

In addition to the site redevelopment and investment support for such a project, the Council could support the on-site availability of enhanced business support for such activities as business Design and Branding activities and business R&D and innovation activities. The availability of, and access to, supportive business networks and partnerships, should also be considered. Undertaking a Venn cluster analysis for Somerdale would be wholly useful in informing its redevelopment. The economic impact of each of the development options should also be considered as part of the selection process.

### *Somer Valley*

The situation in Somer is slightly more complex than in Keynsham on the basis that there are slightly more sites with B-use development potential. The main 'pre-condition' intervention priority to achieve the additional higher growth Scenario jobs is the careful redevelopment of the Old Mills combined with the regeneration of older industrial sites and employment related initiatives in Midsomer Norton town centre..



As with Somerdale above, the completion of the Venn cluster analysis for the Old Mills site, and economic impact analysis, could be informative in the development process. Also as with Somerdale, and whatever the employment development at the site, supportive perception and investment activity should be undertaken and the availability of enhanced business support considered (in the higher growth intervention areas of business Design and Branding activities, business R&D and innovation activities and availability of, and access to, supportive business networks and partnerships).

Supporting interventions should investigate measures aimed at

- a. Avoiding the expected loss of 1,500 jobs in Manufacturing by implementing measures which will raise its productivity and competitiveness, and possibly even attract new high value added Manufacturers. Current business and employment Manufacturing clusters in the Somer Valley include: Publishing, printing, Fabricated metal products, and the Manufacture of machinery and equipment.
- b. Ramping up growth in local growth sectors such as Construction, Distribution and Other services (which includes services to people and households, including leisure services). Other opportunities exist for the Somer Valley in Business Services, particularly opportunities linked to the provision of modern office accommodation through mixed use redevelopments of older industrial sites and in the area's town centres. Writhlington Schools' recent development of an Enterprise Centre may well have a role to play in attracting such investment.

Interventions to support growth of the Construction industry and Other services industries could concentrate on exploiting the potential of Norton Radstock College to generate a skilled workforce and attract inward investment from large efficient supply mechanisms (big companies in these sectors).

## Other conclusions and recommendations

An initial Venn analysis shows that B&NES may have workplace, resident and supportive learning clusters in such activities as: Design; Leadership / Management; Consultancy / Prof Bus Services; Advanced Engineering; ICT; Creative Industries; and, Environmental Technologies. To properly identify clusters and the potential for supportive interventions requires further research which should be a priority for B&NES and each of the sub-areas.

The approach will help establish the 'USP' of B&NES and its four constituent sub-areas, and will be useful for inward investment support, as well as informing sector support intervention strategies. Activities with above average presence in two, or even one, of the three areas (of workplace, residents and learning) should also be considered, depending on individual circumstances and development potential. Once the Activity Clusters have been identified, a Cluster Development Strategy should be formulated for each.

One of the main B&NES USPs concerns its highly and overly well-qualified workforce, entirely suited to professional business services investments. This aspect of the B&NES offer will be a critical factor in successfully attracting associated investment. A detailed labour market research analysis should be undertaken which provides the statistical evidence to inform the marketing and promotion of this offer.

In acknowledgement of the increasing "globalisation" of the economy and building on the work to develop links with China, a country and sector specific Internationalisation Strategy for B&NES should be developed in order to exploit and maximise the international potential of the area (and that of Bath in particular).

# 1 Introduction

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- 1.1** Outside of productivity growth, the main driver behind local economic growth is growth in the population, and particularly growth in the associated working age population. As the working age population grows, more jobs are required for these workers; in short, population growth drives economic growth.
- 1.2** As with most local economies, Bath and North East Somerset (B&NES) has the long term economic challenge of ensuring a competitive local workplace economy which will provide sufficient volumes and types of additional job opportunities to meet the requirements of the expected growth in its working age population. Such growth is often referred to as 'balanced growth'.
- 1.3** At the same time, absolute growth of the B&NES economy in the future will be constrained by such factors as housing growth (and associated resident workforce growth), the availability of suitable premises and the limitations of the underpinning transport and communications infrastructure. However, through productivity improvements, 'smart economic growth' represents a growth approach which enables a local economy to maximise its workplace output growth, whilst minimising its associated usage of the key economic resources of labour, housing and additional premises.
- 1.4** Balanced **and** smart economic growth goes a considerable way towards the achievement of sustainable economic growth because it is a growth approach which attempts to minimise additional commuting, whilst at the same time maximising output from limited resources available.
- 1.5** In light of these requirements for balanced and smart economic growth across B&NES, the Council commissioned GWE Business West to undertake a programme of research and analysis to provide the hard evidence to inform the development of a Smart Economic Growth Strategy and Action Plan.
- 1.6** The process began with a small initial study of Smart Economic Growth in relation to Bath and North East Somerset. The resulting report, *Supporting Smart Economic Growth in Bath and North East Somerset* (GWE Business West Research, July 2010), demonstrated how B&NES could maximise its economic growth performance to 2026, relative to resource inputs of labour / housing and premises.
- 1.7** This initial piece of work (which can be viewed as Stage 1 to the broader Smart Economic Growth report) comprised the following key work elements:
- i. A desk-based investigation to provide a basic overview of 'High (GVA) Output – Low Input' growth strategies, policies and associated measures;
  - ii. The development of a simple workplace economic model for B&NES which linked the key output variable of GVA Output with the key input variables of labour (and housing requirement) and premises;
  - iii. A review of the various economic growth projections and forecasts (from such agencies as Cambridge Econometrics<sup>2</sup>, Oxford Economic

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<sup>2</sup> 2008, in the emerging Regional Spatial Strategy (at the time)

Ltd<sup>3</sup>, Experian Business Strategies<sup>4</sup>) to provide guidance on the likely growth path of the B&NES economy;

- iv. Researched the growth prospects for the draft B&NES Priority Sectors (as established through consultation with B&NES Council Development & Regeneration at the time) in order to be able to substantiate projections for future employment / productivity growth.
- v. Undertaking a strategic exploration of the labour market constraint by examining net commuting and employment rates
- vi. Making initial recommendations for supporting the development of an achievable and desirable economic scenario for Bath and North East Somerset.

**1.8** The second piece of work, the findings of which are presented in this report, took the initial Stage 1 findings and developed them further. In particular, it developed the modelling process further to construct a far more elaborate economic model, which also covered the Priority Sectors and each of the four B&NES sub-economies. It used this model to construct a series of achievable economic scenarios for the B&NES economy (and sub-economies).

**1.9** A further key element of the second stage of Smart Economic Growth work was to provide far greater evidence and detail with respect to the options for Council intervention to achieve a higher growth scenario for B&NES and its sub-economies. Included in this analysis was an exploration of the impact of these interventions on key economic impact criteria.

**1.10** The Stage 2 methodology is summarised below:

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<sup>3</sup> June 2010

<sup>4</sup> Autumn and Spring 2009

## 1. Scenario Literature Review and Consultation

The Literature Review Stage involved the review of Council information and documents regarding the B&NES economy and its four sub-economies. The development of the future Scenario should consider all previous information and work related to the B&NES economy and its sub-economies and its / their development (including aspirational development). The main documents / sources of this information include:

- B&NES Future Housing Growth Requirements to 2026 : Stage 2 Report – September 2010
- Bath and North East Somerset Economic Strategy 2010-2026 (2010)
- Emerging Bath and North East Somerset Core Strategy
- Bath ERDP – Late 2009 – to present (work in progress)
- Keynsham ERDP – March 2011
- Midsomer Norton ERDP – March 2011
- West of England Key Sectors report - 2009

## 2. Initial Desirable Scenario Development

The second stage involved taking the qualitative information contained in the above documents and translating them into an initial Central Desirable Scenario for the B&NES economy and its four sub-economies. This Stage of work required significant development and enhancement of the B&NES Economic Model, initially developed for the Smart Growth report. The main requirement in the model development work was the 'building in' of the four sub-economies, and the development of the workspace aspect.

Following the development of the Model, a series of economic scenarios was developed for B&NES and its sub-economies. Each scenario describes, using standard economic indicators of output, jobs and productivity, the relative outturn for the B&NES economy for different levels, and types, of supportive interventions, with a focus on particular sectors.

Each of the Scenarios showed the current economic situation in B&NES and its sub-economies. This process enabled us to establish the types, and magnitude, and combinations, of economic changes that will need to take place in order to achieve the scenario from the current situation. By 'economic changes' we are referring mainly to:

- i) GVA
- ii) Jobs
- iii) Productivity
- iv) Commuting
- v) Employment rate

## 3. Evidence-based Reality Check

The third stage of work involved an 'evidenced-based reality check' on the 'achievability' of B&NES and the four sub-economies in making the types / magnitudes / combinations of economic changes identified in Stage 2. This reality check was based on:

- i) Past growth trends of the twelve Principal Authorities across the South West on the major indicators of output, employment and productivity
- ii) Past growth trends of the B&NES economy and its four sub-economies;

- iii) Future predictions of growth for B&NES and the sub-economies
- iv) A detailed practical review of the various likely economic development and planning intervention mechanisms which will enable a Higher Growth Scenario to be achieved over and above growth which might reasonably have been expected to happen anyway. This included a review of the various strategic mechanisms which have been tried and tested. The analysis shows the mechanisms by which B&NES and the four sub-economies can achieve a higher growth Scenario to 2026.

This included the development of an 'Additionality' function which demonstrates the total Economic Impact of investment once all Supply Chain and Induced Effects are considered. This was done through reference to the English Partnership Additionality Guide document and other relevant documentation. This functionality was necessary in order to accurately establish the true impact of interventions and investments on the B&NES economy and its constituent sub-economies in terms of output, employment and productivity.

#### **4. Revised Scenario Development**

Following the reality check, and based upon its findings, a revised 'suite' of evidence-based and reality-checked Scenarios was developed. In order to do this several meetings and discussions were held with Council Economic Development and Planning staff representatives. The three Scenarios cover:

- i) A 'Business as Usual' Scenario (no uplift in interventions)
- ii) A 'Medium Level Intervention' Scenario
- iii) A 'Higher Level Intervention' Scenario

#### **5. Recommendations Paper**

Following this report, and working with the Council's Economic Strategy team it is intended that a 'Recommendations Paper' will be developed which will set out the required changes to the B&NES Economic Strategy in order to achieve a higher growth Scenario for B&NES and its four constituent sub-economies. This paper will include recommendations, and a delivery schedule, for coverage of gaps in supportive knowledge, information and research.

## 2 2026 Economic Scenarios for B&NES

### Introduction

- 2.1** In this Section we set out a series of Economic Scenarios for the B&NES Economy and its four constituent Sub-economies in the year 2026.
- 2.2** The Scenarios have been developed by GWE Business West Research through adaptation of the Oxford Economic Central Growth Scenario for Bath and North East Somerset.
- 2.3** The Oxford Economic Ltd Scenario was produced for the South West Regional Development Agency (SWRDA) and the South West Councils, in June 2010. The Central Scenario is one of three South West Growth Scenarios which show ‘the parameters of reasonable expectations for the South West economy over the next twenty years, exploring how these play out across the region’. The South West Growth Scenarios show the impact of three potential alternate outcomes for the South West for the period 2010 to 2030 and explores these at a regional and sub-regional level, as well as discussing the macro-economic background. The aim of the work was to help partners across the South West to ‘both plan and deliver future local (and regional) economic development’.
- 2.4** The Oxford Economic methodology for the establishment of the B&NES forecasts is as follows. Firstly, they establish a UK Central Scenario through the use of the Oxford Economic Ltd UK Macro Model. These results are then ‘filtered’ through to their Regional Model<sup>5</sup> in order to look at implications for the South West region of the scale and magnitude of the UK level changes. The Central Scenario forecasts for the South West therefore reflect their UK macro long-term growth assumptions for the UK economy. Finally, the new regional projections are then filtered into the Oxford Economic Ltd local models (such as for B&NES) in order to provide an assessment of how different sub-regions within the South West might be expected to be affected under these alternative outcomes for the UK and the region.

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<sup>5</sup> ‘The Oxford Regional Model incorporates the latest regional economic data and is forecast based on recent trends and relationships as well as a set of comprehensive econometric equations. In general the regional model adapts a combination of a top down and bottom up approach. It is a top down model in as much as the UK forecasts that filter through provide an overarching structure therefore any change to the UK outlook will impact the South West region depending on which sectors it is most proficient in. For example, the South West has a large concentration of employment in distribution and a significant change to the UK distribution forecast will result in a significant change to the South West distribution forecast. It is a bottom up model in that the relationship between sectors, and between demographic factors and labour supply differ across regions. For example the trend in migration patterns in the South West over the past decade will differ from the migration pattern into the South East, so the population outlook and thus the labour supply will be different.’ Source: South West Growth Scenarios: Final Report, June 2010, Oxford Economic Ltd.

- 2.5** Each of the three Oxford Economic Scenarios essentially conforms to a UK macroeconomic context – ‘Weaker trend growth’, ‘Central trend growth’ and ‘Stronger trend growth’. In this study, we have adapted the Central Scenario findings for Bath and North East Somerset, which are based on a medium growth outturn for the national economy to 2026. This approach enables us to develop Scenarios which show how B&NES will perform, against the national economy, without supportive growth interventions (‘Business as Usual Scenario’) and other Scenarios which show how it will perform with the implementation of successful supportive growth interventions (‘Higher Growth Scenarios’). In this way, and however the national economy performs, our approach enables us to gauge the relative performance of the B&NES economy, given different ‘levels’ and/or ‘types’ of intervention. These intervention types, and their effectiveness in supporting B&NES growth, are explored in considerable detail in the next section of this report.
- 2.6** The Higher Growth Scenarios show what can be achieved by different levels of intervention to address the key priorities outlined the Economic Strategy for B&NES. The central (Medium Growth ) forecast requires a significant uplift in public sector interventions. The High Growth forecast seeks to maximise growth in the HVA sectors whilst remaining within the Council's emerging position on housing growth requirements. To achieve either Higher Growth Scenario, the Council will need to be smart in the way in which it invests resources and targets economic interventions, focusing on high GVA sectors and market town regeneration.
- 2.7** The Scenario development process involved the establishment of an Economic Model for the B&NES economy and its four constituent Sub-economies. The Model was then used to develop 3 initial Scenarios. Each of these Scenarios was then adjusted to take into account future economic ‘events’ which appeared highly likely (such as the closure of the MOD sites in Bath) and also to take into account the impact of local and pan-B&NES Higher Growth Interventions.
- 2.8** Each Scenario is presented / detailed in the form of three summary tables:
- Overall B&NES Summary of the 2026 Scenario, on key indicators of output, jobs by broad sector, productivity and workspace, and Change Requirement from the 2006 position
  - ‘Local’ Summary of 2026 Scenario, on key indicators of output, jobs by broad sector, productivity and workspace, and Change Requirement from the 2006 position, for each of the four B&NES sub-areas
  - ‘Local’ Summary of 2026 Scenario, on key indicator of jobs by detailed sector (including SWRDA Priority Sectors and B&NES Commercial Priority Sectors) and Change Requirement from the 2006 position, for each of the four B&NES sub-areas

## Past Track Record

- 2.9** Before presenting the Scenarios it is worth setting them in the context of the recent performance of the B&NES economy particularly in relation to output, jobs growth, productivity and workspace

### *B&NES Recent Output Performance*

- 2.10** Table 2.1 shows B&NES GVA Output performance over the last ten years. It can be seen that the B&NES workplace economy grew by an average 2.20% per annum from 2001 to 2011. This growth performance ranked the B&NES Authority area in a respectable fourth amongst the fifteen Principal South West Authorities. In fact, B&NES overall economic growth performance was considerably higher than the South West region as a whole, which grew by 1.52%, and the UK, which grew by 1.49%.

**Table 2.1: Workplace GVA Performance, £'000 million, 2001 to 2011**

Area	2001	2011	Average Annual Growth, % per annum, 2001 to 2011
South Gloucestershire	4,154	6,257	4.18
Cornwall	5,068	6,518	2.55
North Somerset	2,856	3,557	2.22
B&NES	2,687	3,340	2.20
Somerset	6,809	8,073	1.72
Poole	2,282	2,693	1.67
Swindon	4,665	5,459	1.58
Devon	9,109	10,609	1.54
Bournemouth	2,618	3,027	1.46
Gloucestershire	9,619	10,947	1.30
Dorset	4,812	5,469	1.29
Bristol	9,432	10,122	0.71
Wiltshire	6,919	7,389	0.66
Plymouth	3,509	3,644	0.38
Torbay	1,665	1,435	-1.47
South West	76,205	88,572	1.52
UK	986,647	1,144,226	1.49

Source: South West Economy Projections, Experian Business Strategies, Spring 2011



### *B&NES Recent Jobs Growth Performance*

- 2.11** Table 2.2 shows B&NES Full Time Employment performance (its jobs growth performance) over the last ten years. It can be seen that the B&NES workplace economy grew its jobs from around 74,000 in 2001 to almost 77,000 by 2011, equivalent to an average of 0.42% per annum. This jobs growth performance ranked the B&NES Authority area in ninth place amongst the fifteen Principal South West Authorities. The figures also show that the B&NES overall jobs growth performance was considerably lower than the South West region as a whole, which grew by 0.62%, and the UK, which grew by 0.70%.

**Table 2.2: Workplace GVA Performance, £'000 million, 2001 to 2011**

<b>Area</b>	<b>2001</b>	<b>2011</b>	<b>Average Annual Growth, % per annum, 2001 to 2011</b>
Cornwall	173,012	201,276	1.52
Somerset	195,011	221,356	1.28
South Gloucestershire	118,947	132,126	1.06
Devon	281,097	308,106	0.92
Poole	63,111	68,774	0.86
Wiltshire	187,574	201,492	0.72
North Somerset	70,133	75,036	0.68
Dorset	147,136	156,853	0.64
Bath & NE Somerset	73,823	76,999	0.42
Gloucestershire	246,342	252,667	0.25
Plymouth	108,943	111,451	0.23
Bournemouth	66,713	68,081	0.20
Bristol	225,739	222,170	-0.16
Swindon	106,602	102,841	-0.36
Torbay	48,217	44,899	-0.71
South West	2,112,400	2,248,014	0.62
UK	25,909,084	27,783,312	0.70

Source: South West Economy Projections, Experian Business Strategies, Spring 2011

### *B&NES Recent Productivity Performance*

- 2.12** Table 2.3 shows B&NES workplace Productivity performance (its GVA per FTE growth performance) over the last ten years. It can be seen that the B&NES workplace economy grew its Productivity from around £36,400 per FTE in 2001 to almost £43,400 by 2011, equivalent to an average of 1.77% per annum. This Productivity growth performance ranked the B&NES Authority area in a very respectable third place amongst the fifteen Principal South West Authorities, surpassed only by South Gloucestershire and Swindon. In fact, the B&NES Productivity performance was seen to be much higher than the South West region as a whole, growing at 0.89% per annum, and the UK as a whole, growing at 0.79%.
- 2.13** In summary, the B&NES economy grew reasonably well over the last ten years, though this growth has been fuelled by excellent Productivity performance as opposed to growth in workplace jobs in the area. It can also be concluded that there has been limited intervention to increase the supply of premises over this period.

**Table 2.3: Workplace GVA Performance per FTE, £'000 million, 2001 to 2011**

Area	2001	2011	Average Annual Growth, % per annum, 1998 to 2008
South Gloucestershire	34,924	47,353	3.09
Swindon	43,763	53,077	1.95
Bath & NE Somerset	36,403	43,371	1.77
North Somerset	40,716	47,401	1.53
Bournemouth	39,237	44,455	1.26
Gloucestershire	39,046	43,324	1.05
Cornwall	29,294	32,383	1.01
Bristol	41,784	45,559	0.87
Poole	36,152	39,164	0.80
Dorset	32,707	34,868	0.64
Devon	32,405	34,433	0.61
Somerset	34,915	36,471	0.44
Plymouth	32,214	32,697	0.15
Wiltshire	36,888	36,670	-0.06
Torbay	34,533	31,968	-0.77
South West	36,075	39,400	0.89
UK	38,081	41,184	0.79

Source: South West Economy Projections, Experian Business Strategies, Spring 2011

### *B&NES Recent Office Floorspace Performance*

- 2.14** Table 2.4 shows B&NES performance in terms of Office floorspace over the last ten years. It can be seen that the B&NES workplace economy suffered a net loss in Office floorspace equivalent to around 3.19% per annum from 1998 to 2008. This growth performance ranked the B&NES Authority area in fifth place amongst the eleven Unitary Authorities in the South West. However, only three of these areas actually increased their Office floorspace over the period (Swindon, Bristol and South Gloucestershire). The figures also show that the B&NES Office floorspace performance was slightly 'worse' than the South West region as a whole, which declined by 2.75% per annum over the period.

**Table 2.4: Office Floorspace Growth Performance in the South West, sq m (thousands), 1998 to 2008, Unitary Authorities**

Area	1998	2008	Average Annual Growth, % per annum, 1998 to 2008
Swindon	389	539	3.32
Bristol	947	1199	2.39
South Gloucestershire	426	439	0.30
Wiltshire	699	534	-2.66
B&NES	336	243	-3.19
Poole	331	239	-3.20
Plymouth	499	334	-3.94
Bournemouth	494	329	-3.98
North Somerset	330	217	-4.11
Cornwall	966	409	-8.24
Torbay	332	120	-9.68
South West	9715	7348	-2.75

Source: Floorspace and rateable value of commercial and industrial properties, CLG from Neighbourhood Statistics, 2011

### *B&NES Recent Factory and Warehousing Floorspace Performance*

- 2.15** Table 2.5 shows B&NES performance in terms of Factories and Warehousing floorspace over the last ten years. It can be seen that the B&NES workplace economy experienced a net gain in Industrial floorspace equivalent to around 6.09% per annum from 1998 to 2008. This growth performance ranked the B&NES Authority area in ninth place amongst the eleven Unitary Authorities in the South West. In fact, when compared regionally, where Industrial floorspace grew by 10.73% per annum on average, B&NES growth on this indicator appears quite poor.

**Table 2.5: Factories and Warehousing Floorspace Growth Performance in the South West, sq m (thousands), 1998 to 2008, Unitary Authorities**

Area	1998	2008	Average Annual Growth, % per annum, 1998 to 2008
Cornwall	487	2135	15.93
North Somerset	267	1042	14.59
Wiltshire	692	2696	14.57
South Gloucestershire	600	1778	11.48
Poole	373	902	9.23
Torbay	137	324	8.99
Plymouth	477	971	7.37
Swindon	1014	2046	7.27
Bath & NE Somerset	362	654	6.09
Bristol	2131	2589	1.97
Bournemouth	465	296	-4.42
South West	10595	29359	10.73

Source: Floorspace and rateable value of commercial and industrial properties, CLG from Neighbourhood Statistics, 2011

*B&NES Recent Total Industrial Floorspace Performance*

- 2.16** Table 2.6 shows B&NES performance in terms of all Industrial floorspace over the last ten years (Office Factories and Warehousing). It can be seen that the B&NES workplace economy grew its Industrial floorspace by 2.54% from 1998 to 2008, ranking the Authority area in a lowly 8th place amongst the eleven Unitary Authorities in the South West. In fact, when compared regionally, where Industrial floorspace grew by 6.10% per annum on average, B&NES workplace floorspace growth has been one of the lowest in the region.

**Table 2.6: Office, Factories and Warehousing Floorspace Growth Performance in the South West, sq m (thousands), 1998 to 2008, Unitary Authorities**

<b>Area</b>	<b>1998</b>	<b>2008</b>	<b>Average Annual Growth, % per annum, 1998 to 2008</b>
Wiltshire	1391	3230	8.79
South Gloucestershire	1026	2217	8.01
North Somerset	597	1259	7.75
Swindon	1403	2585	6.30
Cornwall	1453	2544	5.76
Poole	704	1141	4.95
Plymouth	976	1305	2.95
Bath & NE Somerset	698	897	2.54
Bristol	3078	3788	2.10
Torbay	469	444	-0.55
Bournemouth	959	625	-4.19
South West	20310	36707	6.10

Source: Floorspace and rateable value of commercial and industrial properties, CLG from Neighbourhood Statistics, 2011

- 2.17** In summary, over the last ten years, decline in Office floorspace, combined with relatively weak growth in Factory and Warehousing space, has given the B&NES economy one of the lowest floorspace growth performances in the South West region.

## Scenario 1 – The Business as Usual / Low Growth No Uplift in Interventions Growth Scenario

- 2.18** Scenario 1 effectively represents the June 2010 Oxford Economic Ltd Central Forecast for B&NES but with an adjustment for the expected loss of 2,800 MOD jobs in Bath to 2026<sup>6</sup>.
- 2.19** Scenario 1 effectively represents the 'Business as Usual' Scenario. It shows how Oxford Economic Ltd suggest that the B&NES economy will perform given a combination of past economic performance, current sectoral structure, expected demographic changes and expectations of sectoral growth. It assumes that there is no uplift in supportive interventions to support and encourage economic and business growth across B&NES. It has also been assumed in this Scenario that the MOD will shed all 2,800 of its current staff in Bath (located at Foxhill, Warminster Road and Ensleigh) and that all of the land associated with these jobs will be used for residential purposes.
- 2.20** Given national GVA growth of 1.97% per annum from 2006 to 2006, and South West regional growth of 2.01% per annum, it predicts very low 1.61% per annum GVA growth for B&NES. Under this Scenario, B&NES expected economic performance will 'track' well below both national and regional economic performance by around 0.4 percentage points per annum (equivalent to around 80% of both their 'performances').
- 2.21** On the other key economic performance indicators of Jobs and Productivity under this Scenario, B&NES will also significantly underperform. For example, in terms of Jobs growth, B&NES will see just 0.16% per annum growth to 2026, compared to 0.35% per annum nationally and a tremendous 0.54% per annum for the South West region. B&NES jobs growth will be 42% of national Jobs growth and just 28%, not far off just one quarter, of expected regional Jobs growth for the South West. On the Productivity growth performance measure, B&NES will see growth of 1.44% under this Scenario compared to slightly higher regional growth of 1.46% per annum and national growth of 1.61% per annum.
- 2.22** It should be noted that the Oxford Economic Ltd Growth Scenarios for B&NES give the area a lower share of overall West of England growth to 2026 than that predicted through the 'Concensus' and 'Green Budget' forecasts recently carried out for the B&NES area by Roger Tym and Partners. Indeed, in the Housing Growth Requirements Report from Keith Woodhead, it is recommended that 'further investigation of this is recommended as a priority'. However, we would point out that Oxford Economics Ltd more gloomy predictions for B&NES are supported by the only other recent professional source of economic projections / forecasts for the West of England and for B&NES; the latest projections, for Spring 2010, by Experian Business Strategies for the South West Observatory, also show a significant gap between the expected performance of B&NES and the West of England and South West economies. The Experian summary forecasts for workplace GVA growth are shown in the Table below.

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<sup>6</sup> The original Oxford Economic Ltd Forecasts for B&NES actually showed a slight increase in Public Administration & Defence across B&NES to 2026. However, consultation with the Council suggested that this was highly unlikely, particularly given expected MOD losses and the forthcoming cuts in the Public Sector announced in the Comprehensive Spending Review of October 2010.

**Table 2.7: Workplace GVA Projections for the West of England Sub-economies and South West, 2005 to 2030**

	Year		AAG
	2005	2030	% per annum
Bath & NE Somerset	3,205	4,815	1.6
Bristol	9,871	13,075	1.1
North Somerset	3,485	6,668	2.6
South Gloucestershire	5,613	13,211	3.5
West of England	22,174	37,769	2.2
South West	84,889	136,926	1.9

Source: South West Economy Projections, Experian Business Strategies, Spring 2010

- 2.23** As can be seen, these recent projections also suggest that B&NES is going to get a smaller share of West of England and South West growth over the next 20 years, tracking some 0.6 percentage points below the West of England projected growth and 0.3% points below regional projected growth.
- 2.24** The implications of this growth Scenario for B&NES on Employment Space and Commuting are also significant. For example, the need for B-Use Employment space across B&NES would **decline** by around 0.3% per annum. Further, if the 579 per annum houses recommended in the Keith Woodhead Report are actually built, then by 2026 an additional 5,600 B&NES residents will have to commute to find work and commute outside the area every day. In fact, only 194 houses per annum would have to be built to accommodate local workers to support this 'Business as Usual' Growth Scenario for B&NES.
- 2.25** The serious implications of this Growth Scenario for B&NES raise the fundamental question as to why we actually need local economic workplace growth in B&NES anyway? The simplest answer to this question is related to the B&NES' expected population change to 2026. According to the most recent 2008-based Sub-national population projections from the Office for National Statistics, B&NES will have another 11,000 resident adults of working age in 2026. Assuming the current Employment Rate for B&NES persists to 2026 (about 75%), then there will be an additional 8,250 B&NES residents in need of a job in 2026. However, under this Scenario, B&NES will only have generated an additional 3,100 workplace jobs to 2026. This will mean that, at the very least (as some of the B&NES jobs will be filled by in-commuters), around 5,500 B&NES residents will be forced to find a job outside of B&NES (if all the houses in recommended in the Keith Woodhead Report are actually built).
- 2.26** A further problem exists with the 3,100 net jobs that are generated in B&NES under this Scenario and the profile of the B&NES resident workforce. B&NES currently has one of, if not the best educated resident workforces amongst Principal Authorities in the South West of England. It has a highly skilled and professional workforce and requires local skilled and professional jobs growth in competitive employment sectors. Many of these new and existing B&NES adults will be forced to leave or commute outwards to find the **kind** of job they require. Either that, or they work in lower value added and lower paid jobs in retail and tourism and Other services etc (which are the other growth sectors in B&NES outside of Health, Education and Business Services). It is more likely that a good proportion of these new jobs will be filled by lower skilled in-commuters, and as a result, the 5,600 additional out-commuting residents is likely to be the very minimum situation.

- 2.27** In summary, under this Scenario, the B&NES workplace economy becomes increasingly reliant on fewer sectors, increasingly lower added value sectors, and of course, increasing lower paid sectors. In doing so, the B&NES economy is effectively restructuring and increasing numbers of B&NES future professional people are forced to move away to work or to commute longer and longer distances to find work (at a time when travel costs and environmental concerns are of increasing concern). B&NES becomes more like a 'tourism-based / dormitory / retail and personal and household services economy', and B&NES becomes vulnerable to global tourism trends and increasingly reliant on jobs growth in other nearby areas.
- 2.28** This Scenario is a long way from the economic growth ambitions of most local areas in the UK, which seek to develop a competitive 'Knowledge-based economy'. Related to this, it is also a Scenario which makes little use of B&NES' most valuable economic asset - it's well-qualified people / workforce.
- 2.29** The evidence suggests that, without a range of economic interventions the 'Business as Usual' Scenario, where economic growth tracks well below regional and national growth rates, is a distinct risk / likelihood for B&NES. This 'Business as Usual' scenario, in reality, would mean B&NES not achieving its economic growth aspirations for the area. The potential of Bath as a major employment centre would not be realised and jobs led regeneration in the market towns would be severely restricted with the likelihood that productivity and average earnings would remain below national and sub-regional averages. In fact, under this Scenario, with growth so much lower than nationally and regionally, the earnings gap would worsen.

Scenario 1 Table 1: B&NES Summary of 2026 Scenario and Change Requirement			
	2006	2026	Net Change
GVA (£ million)	3,400	4,700	1,300
Employment (Jobs) by Sector			
Agriculture etc.	2,400	1,900	-500
Extraction	-	-	-
Manufacturing	7,700	3,700	-4,000
Utilities	1,000	1,100	100
Construction	5,500	6,400	900
Distribution	13,600	14,900	1,300
Hotels & Catering	7,100	8,000	900
Transport & Communication	3,200	2,300	-900
Financial Services	2,600	2,400	-200
Business Services	15,000	20,900	5,900
Public Admin & Defence	5,000	2,600	-2,400
Education	11,300	11,600	300
Health & Social	14,500	15,200	700
Other Services	4,700	5,600	900
TOTAL	93,700	96,800	3,100
Productivity (£ per job per annum)	36,500	48,500	12,000
Employment Change by Land Use <sup>#</sup>			
Industry/Warehouse	13,200	10,100	-3,100
Office	18,400	22,600	4,200
Total B Jobs	31,600	32,800	1,200
Non B Jobs	62,100	64,000	1,900
Employment Space Implications (Sq m)			
Industry/Warehouse	462,000	355,000	-107,000
Office	330,000	408,000	78,000
Total B Space	792,000	763,000	-29,000
Housing (new houses per annum)			207
Net Commute Change*			- 5,600
Average Annual Growth Employment Space			-0.19
Average Annual Growth Productivity			1.44
Average Annual Growth Jobs			0.16
Average Annual Growth GVA			1.61

\*Assuming housing for 8,700 additional local jobs to 2026 = 579 new houses per year

# Assumes workspace associated with 2,800 MOD jobs in Bath is removed from system

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010



Scenario 1 Table 2: Local Summary of 2026 Scenario and Change Requirement												
	Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
GVA (£ million)	2,300	3,100	800	200	300	100	400	600	200	500	700	200
Employment (Jobs) by Sector												
Agriculture etc.	800	700	-100	-	-	-	-	-	-	1,500	1,200	-300
Extraction	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	3,700	1,800	-1,900	900	500	-400	2,500	1,100	-1,400	700	300	-400
Utilities	900	1,000	100	-	-	-	100	100	-	-	-	-
Construction	1,900	2,100	200	600	700	100	1,100	1,300	200	1,900	2,200	300
Distribution	9,000	9,900	900	1,200	1,300	100	2,100	2,400	300	1,300	1,400	100
Hotels & Catering	5,200	5,800	600	400	500	100	300	400	100	1,100	1,300	200
Transport & Communication	1,700	1,200	-500	300	200	-100	500	400	-100	800	600	-200
Financial Services	2,100	2,000	-100	100	100	-	100	100	-	200	200	-
Business Services	11,100	15,400	4,300	700	900	200	1,300	1,900	600	1,900	2,600	700
Public Admin & Defence	3,900	1,400	-2,500	700	800	100	300	300	-	-	-	-
Education	6,900	7,100	200	600	700	100	1,600	1,700	100	2,100	2,200	100
Health & Social	11,400	11,900	500	700	700	-	1,200	1,300	100	1,200	1,200	-
Other Services	3,100	3,700	600	400	500	100	600	800	200	600	800	200
TOTAL	61,700	64,000	2,300	6,700	6,900	200	11,800	11,800	-	13,400	14,100	700
Productivity (£ per job per annum)	36,500	49,100	12,600	36,500	47,300	10,800	36,900	48,800	11,900	35,900	46,400	10,500
Employment Change by Land Use												
Industry/Warehouse	6,700	5,300	-1,400	1,400	1,000	-400	3,200	2,200	-1,000	1,900	1,700	-200
Office	13,500	16,800	3,300	1,100	1,300	200	1,800	2,000	200	2,000	2,500	500
Total B Jobs	20,200	22,100	1,900	2,500	2,300	-200	5,000	4,200	-800	3,900	4,200	300
Non B Jobs	41,500	41,900	400	4,200	4,600	400	6,900	7,600	700	9,500	9,900	400
Employment Space Implications (Sq m)												
Industry/Warehouse	236,000	185,000	-51,000	48,000	36,000	-12,000	112,000	75,000	-37,000	68,000	59,000	-9,000
Office	243,000	303,000	60,000	20,000	23,000	3,000	32,000	37,000	5,000	35,000	45,000	10,000
Total B Space	479,000	488,000	9,000	68,000	59,000	-9,000	144,000	112,000	-32,000	103,000	104,000	1,000
Average Annual Growth Employment Space			0.1			-0.6			-1.2			0.1
Average Annual Growth Productivity			1.5			1.3			1.4			1.3
Average Annual Growth Jobs			0.2			0.1			0.0			0.2
Average Annual Growth GVA			1.7			1.4			1.4			1.5

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

Scenario 1 Table 3: Detailed Sectoral Jobs Scenario and Change Requirement to 2026, B&NES and Local															
	B&NES			Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
Agriculture	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food, drinks & tobacco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Textiles	100	-	-100	-	-	-	-	-	-	100	-	-100	-	-	-
Wood products	200	200	-	100	100	-	-	-	-	-	-	-	100	100	-
Pulp, paper & printing	2,300	1,000	-1,300	1,300	600	-700	-	-	-	800	300	-500	100	100	-
Coke, oil refining & nuclear fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Chemicals &amp; man-made fibres</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Rubber & plastic products	400	-	-400	-	-	-	-	-	-	300	-	-300	-	-	-
<b>Other non-metallic mineral products</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Metals	400	200	-200	100	-	-100	100	-	-100	200	100	-100	100	-	-100
<b>Machinery &amp; equipment</b>	<b>300</b>	<b>200</b>	<b>-100</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Electrical optical equipment</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transport equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other manufacturing	700	300	-400	400	200	-200	100	-	-100	-	-	-	100	-	-100
<b>Electricity, gas &amp; water</b>	<b>700</b>	<b>800</b>	<b>100</b>	<b>700</b>	<b>800</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Construction	5,400	6,300	900	1,800	2,100	300	600	700	100	1,100	1,300	200	1,900	2,200	300
Distribution & retail	13,600	15,000	1,400	9,000	9,900	900	1,100	1,300	200	2,100	2,300	200	1,300	1,500	200
Hotels & restaurants	5,100	5,700	600	3,800	4,200	400	300	300	-	200	300	100	800	900	100
<b>Transport &amp; communications</b>	<b>2,600</b>	<b>1,900</b>	<b>-700</b>	<b>1,400</b>	<b>1,000</b>	<b>-400</b>	<b>200</b>	<b>100</b>	<b>-100</b>	<b>400</b>	<b>300</b>	<b>-100</b>	<b>700</b>	<b>500</b>	<b>-200</b>
<b>Financial intermediation</b>	<b>2,600</b>	<b>2,400</b>	<b>-200</b>	<b>2,100</b>	<b>2,000</b>	<b>-100</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>200</b>	<b>200</b>	<b>-</b>
<b>Business services</b>	<b>9,500</b>	<b>13,300</b>	<b>3,800</b>	<b>7,100</b>	<b>9,900</b>	<b>2,800</b>	<b>400</b>	<b>600</b>	<b>200</b>	<b>800</b>	<b>1,200</b>	<b>400</b>	<b>1,200</b>	<b>1,700</b>	<b>500</b>
Public administration & defence	5,000	2,600	-2,400	3,900	1,400	-2,500	700	800	100	300	300	-	-	-	-
Education	11,300	11,600	300	6,900	7,100	200	600	600	-	1,600	1,700	100	2,200	2,200	-
Health	14,500	15,200	700	11,400	12,000	600	700	700	-	1,200	1,200	-	1,200	1,300	100
Other personal services	2,400	2,800	400	1,500	1,900	400	200	200	-	300	400	100	300	400	100
<b>Advanced Engineering</b>	<b>500</b>	<b>300</b>	<b>-200</b>	<b>400</b>	<b>200</b>	<b>-200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-100</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ICT</b>	<b>2,200</b>	<b>2,600</b>	<b>400</b>	<b>1,500</b>	<b>1,800</b>	<b>300</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>200</b>	<b>300</b>	<b>100</b>	<b>300</b>	<b>400</b>	<b>100</b>
<i>Creative Industries</i>	5,000	5,800	800	3,500	4,000	500	200	200	-	800	900	100	600	700	100
<b>Environmental Technologies</b>	<b>1,000</b>	<b>1,100</b>	<b>100</b>	<b>700</b>	<b>800</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>
<i>Food &amp; Drink</i>	3,200	2,300	-900	800	600	-200	800	600	-200	300	200	-100	1,300	900	-400
<i>Leisure &amp; Tourism</i>	3,700	4,100	400	2,500	2,900	400	200	300	100	300	400	100	600	600	-
<b>Marine</b>	<b>100</b>	<b>-</b>	<b>-100</b>	<b>100</b>	<b>-</b>	<b>-100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Bio-tech</b>	<b>400</b>	<b>500</b>	<b>100</b>	<b>300</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-Total: All HVA Commercial</b>	<b>20,200</b>	<b>23,400</b>	<b>3,200</b>	<b>14,600</b>	<b>17,000</b>	<b>2,400</b>	<b>900</b>	<b>1,000</b>	<b>100</b>	<b>2,100</b>	<b>2,400</b>	<b>300</b>	<b>2,500</b>	<b>2,900</b>	<b>400</b>
<b>Total All Industry</b>	<b>93,700</b>	<b>96,800</b>	<b>3,100</b>	<b>61,700</b>	<b>64,000</b>	<b>2,300</b>	<b>6,700</b>	<b>6,900</b>	<b>200</b>	<b>11,800</b>	<b>11,800</b>	<b>-</b>	<b>13,400</b>	<b>14,100</b>	<b>700</b>

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

## Scenario 2 – A Medium Growth Medium (Greater) Level Intervention Scenario

- 2.30** Scenario 2 represents the central scenario whereby 8,700 additional jobs (14k gross) are created in B&NES to 2026 in order to ensure that adequate **local** employment opportunities exist in line with its expected rise in population to 2026 (according to the ONS 2008-based Sub-national population Projections). The Scenario is based on the recommended additional housing requirement for B&NES to 2026 of 580 additional houses per year to accommodate this growth (in line with the final recommendation in *B&NES Future Housing Growth Requirements to 2026: Stage 2 Report*, Keith Woodhead, September 2010). The Scenario is thus broadly in line with the capacity assessments of non Green Belt land in the Council's Strategic Housing Land Availability Assessment (SHLAA).
- 2.31** Scenario 2 is a 'Medium-Level Intervention Scenario' whereby a medium level of supportive interventions for the economy and business are implemented across B&NES. In particular, these interventions are focused upon ensuring growth in Bath City, supporting regeneration in the market town areas of Keynsham and the Somer Valley, and constraining growth in the more rural Rest of B&NES sub-economy.
- 2.32** The Scenario was developed by taking the Oxford Economic expected growth scenario for B&NES, Scenario 1 presented above, and making the following assumptions:
- 8,700 additional jobs are created across B&NES to 2026 (14.1k gains and 5.4k losses)
  - 5,700 of these are in Bath, spread according to Oxford Economic Ltd expectations for job volumes in B&NES industries in 2026 under the Central Scenario, with Bath maintaining its 2006 share of B&NES employment. This is with the exception of Public Administration and defence where it is assumed that there will be 2,800 MOD losses which are then spread across all other Bath sectors according to the expected shares in Bath in 2026. Again, as with Scenario 1, it is assumed that all of the land associated with the MOD jobs will be used for residential purposes.
  - 1,500 are in Keynsham, spread according to Oxford Economic Ltd expectations for job volumes in B&NES industries in 2026 under the Central Scenario, with Keynsham maintaining its 2006 share of B&NES industry. However, interventions take place to limit the jobs lost in Manufacturing and Transport and communications alongside growth in Business services (500 job gains) and a modest expansion of Public Administration and defence, education and health..
  - 1,000 are in the Somer Valley, spread according to Oxford Economic Ltd expectations for job volumes in B&NES industries in 2026 under the Central Scenario, with Somer Valley maintaining its 2006 share of B&NES industry. However, interventions take place which see 600 fewer job lost in Manufacturing and Transport and communications alongside an additional 900 jobs in Business and Other Business services.

- 500 additional jobs are spread across the Rest of B&NES, spread according to Oxford Economic Ltd expectations for job volumes in B&NES industries in 2026 under the Central Scenario, with Rest of B&NES maintaining its 2006 share of B&NES industry. The Rest of B&NES allocation represents slightly constrained growth than is expected in the 'Business as Usual' Scenario (due to a lack of additional premises).
- 2.33** The Scenario requires that interventions take place to ensure the creation of an additional 5,600 jobs over and above the 'Business as Usual' Scenario presented in Scenario 1 above. In other words, it requires that interventions take place to ensure that nearly three times as many jobs are created than Oxford Economic Ltd have predicted would happen anyway with no uplift in interventions.
- 2.34** Given national GVA growth of 1.97% per annum from 2006 to 2006, and South West regional growth of 2.01% per annum, it predicts 1.91% per annum GVA growth for B&NES. Under this Scenario, and with the implementation of mid-level interventions, B&NES expected economic performance will remain slightly behind national and regional economic performance (by around 0.1 percentage points per annum (equivalent to around 95% of both their 'performances')).
- 2.35** On the other key economic performance indicators of Jobs and Productivity under this Scenario, B&NES performance will fare better in comparison with national and regional performance expectations. For example, in terms of Jobs growth, B&NES will see a healthy 0.45% per annum growth to 2026, somewhat higher than the 0.35% per annum expected nationally, but still significantly lagging the higher 0.54% per annum expected for the South West region. On the Productivity growth performance measure, B&NES will see growth of 1.46% under this Scenario, placing it exactly on a par with regional growth of 1.46% per annum, but significantly behind national growth of 1.61% per annum.
- 2.36** The Scenario goes some way to delivering B&NES growth ambitions by enabling the area to deliver sufficient local additional jobs to support the 11,000 or so expected rise in B&NES working age population to 2026<sup>7</sup>. Its jobs growth would be in excess of that seen nationally, but behind that expected regionally. However, it does enable B&NES to approach a level of output growth in line with national and regional expected growth performances to 2026. The Scenario allows for employment growth in Keynsham and the Somer Valley to support market town regeneration but does not realise the full economic potential of Bath as a business location. In many ways, this 'Medium-Level Intervention Scenario' should be viewed as the minimum requirement in terms of growth ambitions for the B&NES economy to 2026,

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<sup>7</sup> An 11,000 working age population rise requires around 8,250 jobs at a 75% employment rate.

Scenario 2 Table 1: B&NES Summary of 2026 Scenario and Change Requirement			
	2006	2026	Net Change
GVA (£ million)	3,400	5,000	1,600
Employment (Jobs) by Sector			
Agriculture etc.	2,400	2,200	-200
Extraction	-	-	-
Manufacturing	7,700	5,200	-2,500
Utilities	1,000	1,200	200
Construction	5,500	6,700	1,200
Distribution	13,600	15,700	2,100
Hotels & Catering	7,100	8,300	1,200
Transport & Communication	3,200	2,900	-300
Financial Services	2,600	2,600	-
Business Services	15,000	21,100	6,100
Public Admin & Defence	5,000	2,500	-2,500
Education	11,300	11,900	600
Health & Social	14,500	15,900	1,400
Other Services	4,700	6,000	1,300
TOTAL	93,700	102,400	8,700
Productivity (£ per job per annum)	36,500	48,600	12,100
Employment Change by Land Use			
Industry/Warehouse	13,200	11,900	-1,300
Office	18,400	23,200	4,800
Total B Jobs	31,600	35,200	3,600
Non B Jobs	62,100	67,200	5,100
Employment Space Implications (Sq m)			
Industry/Warehouse	462,000	417,000	-45,000
Office	330,000	418,000	88,000
Total B Space	792,000	836,000	44,000
Housing (new houses per annum)			579
Net Commute Change*			-
Average Annual Growth Employment Space			0.27
Average Annual Growth Productivity			1.45
Average Annual Growth Jobs			0.45
Average Annual Growth GVA			1.90

\*Assuming housing for 8,700 additional local jobs to 2026 = 579 new houses per year  
Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

Scenario 2 Table 2: Local Summary of 2026 Scenario and Change Requirement												
	Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
GVA (£ million)	2,300	3,300	1,000	200	400	200	400	600	200	500	600	100
Employment (Jobs) by Sector												
Agriculture etc.	800	700	-100	-	-	-	-	-	-	1,500	1,400	-100
Extraction	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	3,700	2,300	-1,400	900	700	-200	2,500	1,700	-800	700	500	-200
Utilities	900	1,000	100	-	-	-	100	100	-	-	-	-
Construction	1,900	2,200	300	600	900	300	1,100	1,500	400	1,900	2,100	200
Distribution	9,000	10,400	1,400	1,200	1,500	300	2,100	2,500	400	1,300	1,400	100
Hotels & Catering	5,200	6,100	900	400	600	200	300	400	100	1,100	1,200	100
Transport & Communication	1,700	1,400	-300	300	300	-	500	600	100	800	700	-100
Financial Services	2,100	2,200	100	100	100	-	100	100	-	200	200	-
Business Services	11,100	15,700	4,600	700	1,200	500	1,300	1,900	600	1,900	2,300	400
Public Admin & Defence	3,900	1,500	-2,400	700	800	100	300	200	-100	-	-	-
Education	6,900	7,500	600	600	700	100	1,600	1,600	-	2,100	2,200	100
Health & Social	11,400	12,600	1,200	700	800	100	1,200	1,200	-	1,200	1,200	-
Other Services	3,100	3,800	700	400	600	200	600	900	300	600	700	100
TOTAL	61,700	67,400	5,700	6,700	8,200	1,500	11,800	12,800	1,000	13,400	13,900	500
Productivity (£ per job per annum)	36,500	49,000	12,500	36,500	46,800	10,300	36,900	50,000	13,100	35,900	46,600	10,700
Employment Change by Land Use												
Industry/Warehouse	6,700	5,900	-800	1,400	1,400	-	3,200	2,800	-400	1,900	1,800	-100
Office	13,500	17,300	3,800	1,100	1,600	500	1,800	2,100	300	2,000	2,300	300
Total B Jobs	20,200	23,200	3,000	2,500	2,900	400	5,000	5,000	-	3,900	4,100	200
Non B Jobs	41,500	44,200	2,700	4,200	5,300	1,100	6,900	7,800	900	9,500	9,800	300
Employment Space Implications (Sq m)												
Industry/Warehouse	236,000	208,000	-28,000	48,000	47,000	-1,000	112,000	99,000	-13,000	68,000	64,000	-4,000
Office	243,000	311,000	68,000	20,000	28,000	8,000	32,000	39,000	7,000	35,000	41,000	6,000
Total B Space	479,000	518,000	39,000	68,000	76,000	8,000	144,000	138,000	-6,000	103,000	105,000	2,000
Average Annual Growth Employment Space			0.4			0.6			-0.2			0.1
Average Annual Growth Productivity			1.5			1.3			1.5			1.3
Average Annual Growth Jobs			0.4			1.0			0.4			0.2
Average Annual Growth GVA			1.9			2.3			2.0			1.5

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

Scenario 2 Table 3: Detailed Sectoral Jobs Scenario and Change Requirement to 2026, B&NES and Local															
	B&NES			Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
Agriculture	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food, drinks & tobacco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Textiles	100	-	-100	-	-	-	-	-	-	100	-	-100	-	-	-
Wood products	200	200	-	100	100	-	-	-	-	-	-	-	100	100	-
Pulp, paper & printing	2,300	1,400	-900	1,300	700	-600	-	-	-	800	500	-300	100	100	-
Coke, oil refining & nuclear fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Chemicals &amp; man-made fibres</b>	<b>100</b>	<b>200</b>	<b>100</b>	-	-	-	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
Rubber & plastic products	400	100	-300	-	-	-	-	-	-	300	100	-200	-	-	-
<b>Other non-metallic mineral products</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	-	<b>-100</b>	-	-	-	-	-	-	-	-	-
Metals	400	300	-100	100	-	-100	100	-	-100	200	100	-100	100	100	-
<b>Machinery &amp; equipment</b>	<b>300</b>	<b>300</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
<b>Electrical optical equipment</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	-	-	-	-	-	-
<b>Transport equipment</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other manufacturing	700	400	-300	400	200	-200	100	100	-	-	-	-	100	100	-
<b>Electricity, gas &amp; water</b>	<b>700</b>	<b>900</b>	<b>200</b>	<b>700</b>	<b>800</b>	<b>100</b>	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
Construction	5,400	6,600	1,200	1,800	2,200	400	600	900	300	1,100	1,400	300	1,900	2,100	200
Distribution & retail	13,600	15,700	2,100	9,000	10,400	1,400	1,100	1,500	400	2,100	2,400	300	1,300	1,400	100
Hotels & restaurants	5,100	6,000	900	3,800	4,400	600	300	400	100	200	300	100	800	900	100
<b>Transport &amp; communications</b>	<b>2,600</b>	<b>2,400</b>	<b>-200</b>	<b>1,400</b>	<b>1,100</b>	<b>-300</b>	<b>200</b>	<b>200</b>	-	<b>400</b>	<b>400</b>	-	<b>700</b>	<b>600</b>	<b>-100</b>
<b>Financial intermediation</b>	<b>2,600</b>	<b>2,600</b>	-	<b>2,100</b>	<b>2,200</b>	<b>100</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	<b>200</b>	<b>200</b>	-
<b>Business services</b>	<b>9,500</b>	<b>13,400</b>	<b>3,900</b>	<b>7,100</b>	<b>10,000</b>	<b>2,900</b>	<b>400</b>	<b>700</b>	<b>300</b>	<b>800</b>	<b>1,200</b>	<b>400</b>	<b>1,200</b>	<b>1,500</b>	<b>300</b>
Public administration & defence	5,000	2,500	-2,500	3,900	1,500	-2,400	700	800	100	300	200	-100	-	-	-
Education	11,300	11,900	600	6,900	7,500	600	600	600	-	1,600	1,500	-100	2,200	2,200	-
Health	14,500	15,900	1,400	11,400	12,700	1,300	700	800	100	1,200	1,200	-	1,200	1,200	-
Other personal services	2,400	3,000	600	1,500	1,900	400	200	300	100	300	400	100	300	400	100
<b>Advanced Engineering</b>	<b>500</b>	<b>400</b>	<b>-100</b>	<b>400</b>	<b>300</b>	<b>-100</b>	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
<b>ICT</b>	<b>2,200</b>	<b>2,800</b>	<b>600</b>	<b>1,500</b>	<b>1,900</b>	<b>400</b>	<b>100</b>	<b>200</b>	<b>100</b>	<b>200</b>	<b>400</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>100</b>
<i>Creative Industries</i>	5,000	6,100	1,100	3,500	4,200	700	200	300	100	800	1,000	200	600	600	-
<b>Environmental Technologies</b>	<b>1,000</b>	<b>1,200</b>	<b>200</b>	<b>700</b>	<b>800</b>	<b>100</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-
<i>Food &amp; Drink</i>	3,200	2,900	-300	800	700	-100	800	800	-	300	300	-	1,300	1,100	-200
<i>Leisure &amp; Tourism</i>	3,700	4,400	700	2,500	3,000	500	200	300	100	300	400	100	600	600	-
<b>Marine</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	-	<b>-100</b>	-	-	-	-	-	-	-	-	-
<b>Bio-tech</b>	<b>400</b>	<b>600</b>	<b>200</b>	<b>300</b>	<b>300</b>	-	-	-	-	<b>100</b>	<b>200</b>	<b>100</b>	-	-	-
<b>Sub-Total: All HVA Commercial</b>	<b>20,200</b>	<b>25,100</b>	<b>4,900</b>	<b>14,600</b>	<b>17,600</b>	<b>3,000</b>	<b>900</b>	<b>1,300</b>	<b>400</b>	<b>2,100</b>	<b>2,800</b>	<b>700</b>	<b>2,500</b>	<b>2,800</b>	<b>300</b>
<b>Total All Industry</b>	<b>93,700</b>	<b>102,400</b>	<b>8,700</b>	<b>61,700</b>	<b>67,400</b>	<b>5,700</b>	<b>6,700</b>	<b>8,200</b>	<b>1,500</b>	<b>11,800</b>	<b>12,800</b>	<b>1,000</b>	<b>13,400</b>	<b>13,900</b>	<b>500</b>

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&amp;NES, June 2010

## Scenario 3 – A Higher Growth Highest Level Intervention Scenario

- 2.37** Scenario 3 essentially represents the Central Scenario (Scenario 2 above) but sees Bath fulfilling its potential as a major employment centre for Higher Value Added employment industries, particularly in Business services. In doing so, it sees an additional 11,000 jobs being created in B&NES to 2026. Scenario 2 demonstrated that an additional 8,700 additional jobs were required across B&NES in order to ensure that adequate **local** employment opportunities exist in line with its expected rise in population to 2026. A key aspect of this Scenario is that, given the fulfilment of the housing requirement and that 8,700 additional jobs satisfies the employment needs of the associated increase in population, there will be a requirement for the net commute to change by some 2,400 in B&NES favour with surrounding areas. A later section of this report demonstrates that this is more than feasible and would only require a relatively small 10% change in the number of people that commute out of or into B&NES each day.
- 2.38** Scenario 3 is a 'Higher-Level Intervention Scenario' whereby interventions take place which are focused upon ensuring growth in the market town areas of Keynsham and the Somer Valley, and constraining growth in the more rural Rest of B&NES sub-economy. In addition in Bath City, very significant interventions take place to support investment and growth in High Added Value employment sectors.
- 2.39** The Scenario was developed by taking the Oxford Economic expected growth scenario for B&NES, Scenario 2 presented above, and preserving the assumptions for Keynsham, the Somer Valley and the Rest of B&NES exactly as stated in Scenario 2 above. However, in Bath City, its growth has been 'ramped up' overall by assuming that the City will achieve jobs growth commensurate with the Roger Tym & Partners forecasts in the Business Growth and Employment Land Study of June 2010 (an average of four output-based scenarios which forecast 0.5% per annum jobs growth across B&NES). This level of jobs growth for B&NES was also substantiated by a review of economic forecasts undertaken by GWE Business West Research in July 2010<sup>8</sup> and is therefore seen as being an entirely achievable prospect for Bath from an economic forecasting perspective. Having adopted this level of jobs growth for Bath to 2026, growth assumptions were allocated to three different types of sectors as follows:
- **Higher Value Added sectors expected to grow across B&NES to 2026** (Higher Value Added in that they have GVA per worker above the B&NES average GVA per worker for all industry). These sectors were allocated a share of the additional jobs between the RTP forecast for Bath and the original Scenario 1 Oxford Economics predictions for B&NES (allocated according to their share of growth amongst these sectors from 2006 to 2026).
  - **Higher Value Added sectors expected to see jobs decline across B&NES to 2026** (Higher Value Added in that they have GVA per worker above the B&NES average GVA per worker for all industry). These sectors were assumed to maintain their 2006 employment levels to 2026.

<sup>8</sup> 0.5% per annum jobs growth for B&NES is the average of five separate forecasts (South West Economy Module forecasts Produced by Experian Business Strategies in the Autumn 2009 and Spring 2010, Roger Tym & Partners (June 2010), Keith Woodhead (September 2010), Oxford Economics (June 2010))



- **All remaining sectors**, which were below average in terms of Value Added per worker, were given there Scenario 2 growth expectations (though scaled down slightly to allow for the maintenance of the previous assumption)
  - As with Scenario 2, it was assumed that in Bath's Public Administration and defence sector there will be 2,800 MOD losses. These were spread across all other Bath sectors according to the expected shares in Bath in 2026.
- 2.40** The Scenario requires that interventions take place to ensure the creation of an additional 7,900 jobs over and above the 'Business as Usual' Scenario and 2,300 more than under the Medium Growth (Core Strategy) Scenario 2.
- 2.41** Given national GVA growth of 1.97% per annum from 2006 to 2006, and South West regional growth of 2.01% per annum, it predicts 2.14% per annum GVA growth for B&NES. Under this Scenario, and with the implementation of a higher level and wider range of interventions, B&NES expected economic performance will be slightly above national and regional economic performance (by around 0.1 percentage points per annum (equivalent to around 105% to 110% of both their 'performances').
- 2.42** On the other key economic performance indicators of Jobs and Productivity under this Scenario, B&NES performance will fare better in comparison with national and regional performance expectations. For example, in terms of Jobs growth, B&NES will see a healthy 0.56% per annum growth to 2026, substantially higher than the 0.35% per annum expected nationally, and just very slightly higher than the excellent 0.54% per annum expected for the South West region. On the Productivity growth performance measure, B&NES will see growth of 1.57% under this Scenario, placing it above regional growth of 1.46% per annum, and approaching national growth of 1.61% per annum.
- 2.43** The scenario is based on B&NES actively intervening in the economy to enable it to perform above the national and regional averages. It requires significant additional support to encourage key sector growth and interventions to encourage High Value Added investment into Bath principally through increasing the current commercial office floor space supply in the city by realising the potential of the brownfield sites in the river corridor. It requires active intervention to make sure that we make the most of the existing and potential supply of appropriate commercial floorspace in Bath.
- 2.44** The Scenario delivers B&NES growth ambitions by enabling the area to deliver sufficient local additional jobs to support the 11,000 or so projected rise in B&NES working age population to 2026 whilst reducing the net commute and increasing the area's self-containment. It allows for employment growth in Keynsham and the Somer Valley and realises the economic potential of Bath as a business and employment location, particularly in Business services.

Scenario 3 Table 1: B&NES Summary of 2026 Scenario and Change Requirement			
	2006	2026	Net Change
GVA (£ million)	3,400	5,200	1,800
Employment (Jobs) by Sector			
Agriculture etc.	2,400	2,100	-300
Extraction	-	-	-
Manufacturing	7,700	5,000	-2,700
Utilities	1,000	1,300	300
Construction	5,500	6,600	1,100
Distribution	13,600	15,300	1,700
Hotels & Catering	7,100	8,100	1,000
Transport & Communication	3,200	3,200	-
Financial Services	2,600	2,600	-
Business Services	15,000	25,100	10,100
Public Admin & Defence	5,000	2,700	-2,300
Education	11,300	11,500	200
Health & Social	14,500	15,300	800
Other Services	4,700	5,900	1,200
TOTAL	93,700	104,700	11,000
Productivity (£ per job per annum)	36,500	49,700	13,200
Employment Change by Land Use			
Industry/Warehouse	13,200	11,800	-1,400
Office	18,400	26,600	8,200
Total B Jobs	31,600	38,400	6,800
Non B Jobs	62,100	66,300	4,200
Employment Space Implications (Sq m)			
Industry/Warehouse	462,000	415,000	-47,000
Office	330,000	478,000	148,000
Total B Space	792,000	893,000	101,000
Housing (new houses per annum)			579
Net Commute Change*			2,400
Average Annual Growth Employment Space			0.60
Average Annual Growth Productivity			1.56
Average Annual Growth Jobs			0.56
Average Annual Growth GVA			2.13

\*Assuming housing for 8,700 additional local jobs to 2026 = 579 new houses per year  
Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

Scenario 3 Table 2: Local Summary of 2026 Scenario and Change Requirement												
	Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
GVA (£ million)	2,300	3,500	1,200	200	400	200	400	600	200	500	600	100
Employment (Jobs) by Sector												
Agriculture etc.	800	700	-100	-	-	-	-	-	-	1,500	1,400	-100
Extraction	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	3,700	2,100	-1,600	900	700	-200	2,500	1,700	-800	700	500	-200
Utilities	900	1,100	200	-	-	-	100	100	-	-	-	-
Construction	1,900	2,200	300	600	900	300	1,100	1,500	400	1,900	2,100	200
Distribution	9,000	9,900	900	1,200	1,500	300	2,100	2,500	400	1,300	1,400	100
Hotels & Catering	5,200	5,800	600	400	600	200	300	400	100	1,100	1,200	100
Transport & Communication	1,700	1,700	-	300	300	-	500	600	100	800	700	-100
Financial Services	2,100	2,200	100	100	100	-	100	100	-	200	200	-
Business Services	11,100	19,600	8,500	700	1,200	500	1,300	1,900	600	1,900	2,300	400
Public Admin & Defence	3,900	1,700	-2,200	700	800	100	300	200	-100	-	-	-
Education	6,900	7,100	200	600	700	100	1,600	1,600	-	2,100	2,200	100
Health & Social	11,400	12,000	600	700	800	100	1,200	1,200	-	1,200	1,200	-
Other Services	3,100	3,700	600	400	600	200	600	900	300	600	700	100
TOTAL	61,700	69,800	8,100	6,700	8,200	1,500	11,800	12,800	1,000	13,400	13,900	500
Productivity (£ per job per annum)	36,500	50,600	14,100	36,500	46,800	10,300	36,900	50,000	13,100	35,900	46,600	10,700
Employment Change by Land Use												
Industry/Warehouse	6,700	5,900	-800	1,400	1,400	-	3,200	2,800	-400	1,900	1,800	-100
Office	13,500	20,500	7,000	1,100	1,600	500	1,800	2,100	300	2,000	2,300	300
Total B Jobs	20,200	26,400	6,200	2,500	2,900	400	5,000	5,000	-	3,900	4,100	200
Non B Jobs	41,500	43,300	1,800	4,200	5,300	1,100	6,900	7,800	900	9,500	9,800	300
Employment Space Implications (Sq m)												
Industry/Warehouse	236,000	207,000	-29,000	48,000	47,000	-1,000	112,000	99,000	-13,000	68,000	64,000	-4,000
Office	243,000	370,000	127,000	20,000	28,000	8,000	32,000	39,000	7,000	35,000	41,000	6,000
Total B Space	479,000	576,000	97,000	68,000	76,000	8,000	144,000	138,000	-6,000	103,000	105,000	2,000
Average Annual Growth Employment Space			0.9			0.6			-0.2			0.1
Average Annual Growth Productivity			1.6			1.3			1.5			1.3
Average Annual Growth Jobs			0.6			1.0			0.4			0.2
Average Annual Growth GVA			2.3			2.3			2.0			1.5

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

Scenario 3 Table 3: Detailed Sectoral Jobs Scenario and Change Requirement to 2026, B&NES and Local															
	B&NES			Bath			Keynsham			Somerset Valley			Rest		
	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change	2006	2026	Change
Agriculture	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food, drinks & tobacco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Textiles	100	-	-100	-	-	-	-	-	-	100	-	-100	-	-	-
Wood products	200	200	-	100	100	-	-	-	-	-	-	-	100	100	-
Pulp, paper & printing	2,300	1,200	-1,100	1,300	600	-700	-	-	-	800	500	-300	100	100	-
Coke, oil refining & nuclear fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Chemicals &amp; man-made fibres</b>	<b>100</b>	<b>200</b>	<b>100</b>	-	-	-	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
Rubber & plastic products	400	100	-300	-	-	-	-	-	-	300	100	-200	-	-	-
<b>Other non-metallic mineral products</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	-	-	-	-	-	-
Metals	400	300	-100	100	-	-100	100	-	-100	200	100	-100	100	100	-
<b>Machinery &amp; equipment</b>	<b>300</b>	<b>300</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
<b>Electrical optical equipment</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	-	-	-	-	-	-
<b>Transport equipment</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other manufacturing	700	300	-400	400	200	-200	100	100	-	-	-	-	100	100	-
<b>Electricity, gas &amp; water</b>	<b>700</b>	<b>1,000</b>	<b>300</b>	<b>700</b>	<b>900</b>	<b>200</b>	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
Construction	5,400	6,500	1,100	1,800	2,200	400	600	900	300	1,100	1,400	300	1,900	2,100	200
Distribution & retail	13,600	15,500	1,900	9,000	10,100	1,100	1,100	1,500	400	2,100	2,400	300	1,300	1,400	100
Hotels & restaurants	5,100	5,900	800	3,800	4,300	500	300	400	100	200	300	100	800	900	100
<b>Transport &amp; communications</b>	<b>2,600</b>	<b>2,700</b>	<b>100</b>	<b>1,400</b>	<b>1,400</b>	-	<b>200</b>	<b>200</b>	-	<b>400</b>	<b>400</b>	-	<b>700</b>	<b>600</b>	<b>-100</b>
<b>Financial intermediation</b>	<b>2,600</b>	<b>2,700</b>	<b>100</b>	<b>2,100</b>	<b>2,200</b>	<b>100</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	<b>200</b>	<b>200</b>	-
<b>Business services</b>	<b>9,500</b>	<b>16,100</b>	<b>6,600</b>	<b>7,100</b>	<b>12,700</b>	<b>5,600</b>	<b>400</b>	<b>700</b>	<b>300</b>	<b>800</b>	<b>1,200</b>	<b>400</b>	<b>1,200</b>	<b>1,500</b>	<b>300</b>
Public administration & defence	5,000	2,700	-2,300	3,900	1,700	-2,200	700	800	100	300	200	-100	-	-	-
Education	11,300	11,600	300	6,900	7,300	400	600	600	-	1,600	1,500	-100	2,200	2,200	-
Health	14,500	15,500	1,000	11,400	12,300	900	700	800	100	1,200	1,200	-	1,200	1,200	-
Other personal services	2,400	3,000	600	1,500	1,900	400	200	300	100	300	400	100	300	400	100
<b>Advanced Engineering</b>	<b>500</b>	<b>500</b>	-	<b>400</b>	<b>400</b>	-	-	-	-	<b>100</b>	<b>100</b>	-	-	-	-
<b>ICT</b>	<b>2,200</b>	<b>3,100</b>	<b>900</b>	<b>1,500</b>	<b>2,200</b>	<b>700</b>	<b>100</b>	<b>200</b>	<b>100</b>	<b>200</b>	<b>400</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>100</b>
<i>Creative Industries</i>	5,000	6,000	1,000	3,500	4,100	600	200	300	100	800	1,000	200	600	600	-
<b>Environmental Technologies</b>	<b>1,000</b>	<b>1,200</b>	<b>200</b>	<b>700</b>	<b>900</b>	<b>200</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-
<i>Food &amp; Drink</i>	3,200	2,900	-300	800	600	-200	800	800	-	300	300	-	1,300	1,100	-200
<i>Leisure &amp; Tourism</i>	3,700	4,300	600	2,500	2,900	400	200	300	100	300	400	100	600	600	-
<b>Marine</b>	<b>100</b>	<b>100</b>	-	<b>100</b>	<b>100</b>	-	-	-	-	-	-	-	-	-	-
<b>Bio-tech</b>	<b>400</b>	<b>600</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>100</b>	-	-	-	<b>100</b>	<b>200</b>	<b>100</b>	-	-	-
<b>Sub-Total: All HVA Commercial</b>	<b>20,200</b>	<b>28,700</b>	<b>8,500</b>	<b>14,600</b>	<b>21,500</b>	<b>6,900</b>	<b>900</b>	<b>1,300</b>	<b>400</b>	<b>2,100</b>	<b>2,800</b>	<b>700</b>	<b>2,500</b>	<b>2,800</b>	<b>300</b>
<b>Total All Industry</b>	<b>93,700</b>	<b>104,700</b>	<b>11,000</b>	<b>61,700</b>	<b>69,800</b>	<b>8,100</b>	<b>6,700</b>	<b>8,200</b>	<b>1,500</b>	<b>11,800</b>	<b>12,800</b>	<b>1,000</b>	<b>13,400</b>	<b>13,900</b>	<b>500</b>

Source: GWE Business West Research adaption (October 2010) of Oxford Economic Ltd Central Growth Scenario for B&NES, June 2010

## Summary

- 2.45** The 'Business as Usual Scenario' (a 'No Uplift in Intervention' Scenario) represents the future for the B&NES economy in the absence of any interventions to ensure the labour supply and employment space pre-conditions for economic growth are met and to actively support growth and investment in B&NES through wider interventions aimed at the business community. This Scenario is the Scenario predicted for B&NES by the only two recent detailed Sub-regional Economic Forecasts for the South West.
- 2.46** The Scenario shows B&NES growth to be severely constrained by a lack of suitable premises but certainly not by a lack of workers (so long as the houses are built in B&NES to accommodate its expected rise in population to 2026). Under these circumstances B&NES will create just 3,000 additional jobs, 1,000 of which will be in "B" use office focussed Employment Sectors and 2,000 in Non-"B" retail / leisure / health & education related Employment Sectors. If the Core Strategy houses are actually built, this Scenario would result in an additional 5,600 or so resident adults being forced to commute out of the area to find work and earn their income. Even under this 'low intervention' Scenario, offices for 4,000 new office jobs will be required and so significant measures will still be required to bring some sites forward. However, the decline of Manufacturing means the overall need for B Use Employment Space across B&NES would decline. Average Annual Growth in B&NES GVA, would be some 80% of national and regional expected performances to 2026.
- 2.47** The implications of the Business as Usual Scenario are at best unsustainable and at worst catastrophic. The Scenario shows that Bath will not fulfil its potential as a major employment centre in Business services and that its economy will become increasingly reliant on jobs in lower paid commercial sectors of Retail and Tourism and the higher paid, but non commercial sectors of Health and Education. The B&NES economy will see too little growth in B use employment sectors which take place in factories/warehouses or offices and which provide professional and/or commercial jobs which suit the very nature of the residents of B&NES. As a result they will have to rely on growth of job opportunities elsewhere and B&NES increases its dormitory role and is responsible for more out-commuting. The Scenario is hugely risky in that the growth of suitable job opportunities outside of B&NES simply may not happen. In summary, unbalanced and unsustainable growth.
- 2.48** Under a Medium Intervention Scenario B&NES manages to 'ramp up' local jobs from the additional 3,000 expected under the Business as Usual Scenario to 9,000 additional jobs. It shows some growth attracted to the markets towns to aid regeneration but also interventions in Bath to ensure a higher level of growth is achieved than under the Business As Usual Scenario. Unlike the earlier Scenario, it provides sufficient employment opportunities for the rise in B&NES population given the new house build. Interventions in Keynsham and Somer Valley are focused on facilitating increases in business services jobs whilst preserving employment in Manufacturing and Transport and communications such that they don't decline as forecast. In fact, through intervention, some 1,500 net new jobs are created in Keynsham and 1,000 created in the Somer Valley. 6,000 net new jobs are created in Bath and 500 in the Rest of B&NES.
- 2.49** The Medium Scenario requires offices for 5,000 new office jobs (so further sites need bringing forward than under the Business as Usual Scenario). This requires a 27% increase in current provision, equivalent to 90,000 Sq m of space. The Scenario shows that Average Annual Growth in B&NES GVA would be some 95% of national and regional expected performances, suggesting that even with a Medium level of intervention, economic growth across B&NES to 2026 may remain lower than that experienced nationally and regionally.

**2.50** Under the Higher Intervention Scenario a portfolio of B&NES-wide enhanced interventions take place. These are as per the Medium Scenario for Keynsham and Somer Valley (as described in para. 2.39) but significant interventions in Bath take place to boost its growth performance in Higher Value Added growth sectors, halt decline in declining HVA sectors and trying to ensure that other sectors (i.e non Higher Value Added sectors) grow as expected nationally. The Scenario see the generation of an additional 11,000 jobs to 2026 and requires a 2,300 net commute change in B&NES' favour. It also requires additional office accommodation in Bath of an estimated 130,000 sq m. However, the Scenario sees Average Annual Growth of 105% to 110% national and regional performances i.e. it shows slightly above average economic growth for B&NES to 2026.

## 3 Higher Growth Scenario Achievability: Exploring the Labour Supply Constraint

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### Introduction

- 3.1** Labour Supply for economic and business investment in B&NES represents the first pre-condition for the achievement of the two higher growth Scenarios outlined in Section 2 (the Medium Intervention and Higher Intervention Scenarios). Both these Scenarios require the availability of significant numbers of additional employment (employees and self-employed) to 2026.
- 3.2** In the third Scenario presented in the Section above, the Higher Growth Scenario, it was suggested that a certain proportion of the additional jobs across B&NES to 2026 would be filled by a change in commuter patterns. In fact, it was suggested that of the 11,000 additional workplace jobs in B&NES to 2026, 2,300 would be filled by new in-commuters and / or the retention of current out-commuters from B&NES (it was expected that 8,700 would be taken by residents associated with the increased B&NES population).
- 3.3** In this Section, we explore trends in commuting patterns and jobs growth in B&NES, and in other local areas, in order to establish the nature of the likely outcome in B&NES with respect to commuting, should it successfully generate additional net jobs above and beyond those that could be met through the increased population associated with additional housing.
- 3.4** In addition to changes in commuting patterns, a further mechanism by which the labour supply constraint can ease is through an increase in the B&NES Employment Rate. An analysis of Employment Rates is also undertaken to explore the feasibility of this happening in practice.

### B&NES Current Commute Profile

- 3.5** The most accurate and detailed data on commuting comes from the 2001 Census of Population. Although now out of date, more recent trends in net commuting can also be established from analysis of local workplace and resident workforce data from the Annual Population Survey. Analysis and comparison of these two data sets enables us to establish in detail, and with a fair degree of accuracy, the B&NES net commute profile.
- 3.6** In 2001 the Census established that there was very close balance between the numbers of employed residents and the workplace population. In fact, B&NES had a net in-commute at this time of around 300 workers, an almost negligible amount. However, this overall net figure masks significant volumes of daily in-commuting and out-commuting. For example, whilst 70% of B&NES employed residents worked in B&NES in 2001, 30% (some 24,000 workers) went outside of its boundaries to work elsewhere. In terms of in-commuting, a similar volume of workers lived outside B&NES and worked within its boundaries.

- 3.7** As stated, data from the Annual population Survey can be used to explore the degree to which this situation has changed since 2001. For example, comparison of the volumes of employed residents and the workplace population for B&NES shows the extent to which the B&NES net commute has shifted from the 300 net in-commute since 2001. For April 2009 to March 2010, the most recent data available from the Survey, it shows a net in-commute of 1,900 workers. In other words, the B&NES net in-commute has risen from 300 to 1,900 over the last ten years. Data from the Survey also suggests that the net B&NES in-commute reached as high as 5,600 in 2004/05. In fact, over the last five years, the survey suggests that the average net in-commute into B&NES was 3,600.

**Table 3.1: Employed Residents, Workplace Population and Net Commuting, B&NES, 2004/05 to 2009/10**

	Employed Residents	Workplace Population	Net Commute
2004/05	84,600	90,200	+5,600
2005/06	88,700	91,600	+2,900
2006/07	86,900	92,100	+5,200
2007/08	90,200	94,500	+4,300
2008/09	89,200	92,900	+3,700
2009/10	88,800	90,700	+1,900

Source: Resident and Workplace Annual Population Survey Datasets, 2004 and 2010. Sourced from Nomis, 2010.

- 3.8** A similar analysis has been carried out for each of the principal authorities in the south west and this is set out in Table 3.2 below. The table is divided into those Principle Authorities displaying jobs growth between 2004-2010 ( the “workspace growers” ) and those displaying jobs decline over the period ( the “workspace decliners” ).
- 3.9** The table clearly shows that, whilst across the whole of the region workplace employment growth is roughly in balance with the increase in the numbers of employed residents, there are large variations in the net commute change between individual authorities.
- 3.10** For B&NES the figures show that , marginal workplace jobs growth (700 jobs) did not match growth in the need for jobs amongst its residents ( the number of employed residents increased by 4,400 ). In the event, these workers had to seek work outside of B&NES boundaries, resulting in a significant decline in the net commute to the tune of 3,700 jobs.
- 3.11** In addition the Business Growth & Employment Land Study carried out for B&NES Council in 2008 / 9 shows that the area is part of a group of Authorities where resident earnings are above those in other districts and above workplace earnings. These are areas with comparatively high skilled, high earning residents and with lower skilled, lower paid jobs. On balance higher paid residents commute out of these districts to work and/or lower paid people commute in.

### **If B&NES successfully generates 11,000 additional jobs to 2026, where would the workers come from?**

- 3.12** The above analysis suggests that if B&NES developed an additional 11,000 jobs as set out in the Higher Growth Scenario 3 it would be reasonable to anticipate a change in the B&NES net commute to the tune of 2,500 workers, given the scale of change experienced previously both in B&NES and the other authorities in the south west. This would represent less than a 5% change in the number of workers currently commuting in and out of the area.



- 3.13** In addition, in the case of B&NES, which has a balance of out commuting to higher order occupations, if jobs growth is focussed on higher value added knowledge based jobs, such as in the Higher Growth Scenario 3, then this would be very supportive of “out commuting claw back” as a means of effecting the necessary net commute change

**Table 3.2: Workplace Population Volumes, Net Volume Change and Percentage Growth, Employed Residents Net Volume Change and Percentage Growth and Net Commute Change Volumes, B&NES, 2004/05 and/to 2009/10**

	Workplace Employment Volumes			Employed Resident Volumes	Workplace Employment Growth	Employed Resident Employment Growth	Net Commute Change
	Apr 2004 - Mar 2005	Apr 2009 - Mar 2010	Net Change	Net Change	Total % Change 2004 to 2010	Total % Change 2004 to 2010	Volumes
<b>Workplace Growers</b>							
North Somerset	63,900	77,300	13,400	3,700	21.0	4.0	9,700
Poole	67,100	71,300	4,200	2,300	6.3	3.7	1,900
Devon	320,900	340,500	19,600	6,800	6.1	2.0	12,800
South Gloucestershire	65,000	68,500	3,500	-3,700	5.4	-2.8	7,200
Bristol, City of	311,500	324,100	12,600	16,300	4.0	8.3	-3,700
Cornwall	230,800	237,600	6,800	3,400	2.9	1.5	3,400
Dorset	160,200	162,200	2,000	-9,000	1.2	-5.1	11,000
Wiltshire	190,700	192,500	1,800	8,800	0.9	4.1	-7,000
Bath and North East Somerset	90,000	90,700	700	4,400	0.8	5.2	-3,700
<b>All Workplace Growers</b>	<b>1,500,100</b>	<b>1,564,700</b>	<b>64,600</b>	<b>33,000</b>	<b>4.3</b>	<b>2.2</b>	<b>31,600</b>
<b>Workplace Decliners</b>							
Swindon	103,500	101,500	-2,000	4,900	-1.9	5.2	-6,900
Somerset	231,500	227,000	-4,500	-3,600	-1.9	-1.5	-900
Gloucestershire	280,100	274,100	-6,000	-1,500	-2.1	-0.5	-4,500
Plymouth	134,800	126,700	-8,100	4,700	-6.0	4.1	-12,800
Bournemouth	73,800	68,300	-5,500	-2,300	-7.5	-3.2	-3,200
Torbay	54,000	48,100	-5,900	-800	-10.9	-1.4	-5,100
<b>All Workplace Decliners</b>	<b>877,700</b>	<b>845,700</b>	<b>-32,000</b>	<b>1,400</b>	<b>-3.6</b>	<b>0.2</b>	<b>-33,400</b>
All Principal Authorities of the SW	2,377,800	2,410,400	32,600	34,400	1.4	1.4	-1,800

Source: Resident and Workplace Annual Population Survey Datasets, 2004 and 2010. Sourced from Nomis, 2010.

## Improving the Employment Rate

- 3.14** The other way in which the B&NES economy can ease the labour market constraint and produce more GVA output but without additional pressure on housing is if it can increase the employment rate amongst the local adult population.
- 3.15** In 2008/2009 B&NES had 114,000 residents of working age and, as Table 3.3 shows 73.9% of these residents were in employment at this time. If an employment rate of 80% could be achieved, to match North Somerset, Wiltshire and South Gloucestershire, then this would add another 7,000 potential workers. If it is assumed that all these workers are working in B&NES, and had B&NES average GVA per job, this would potentially boost the GVA output of the B&NES workplace economy by as much as £337 million per annum (an increase of just over 8%)!

**Table 3.3: Comparisons in the Working Age Employment Rate Across the South West, 2008/2009**

Area	Employment Rate (Working Age)
Bournemouth	70.2
Torbay	72.3
Cornwall	72.4
<b>Great Britain</b>	<b>72.9</b>
Bristol, City of	73.2
Plymouth	73.6
<b>Bath and North East Somerset</b>	<b>73.9</b>
<b>South West</b>	<b>76.6</b>
Dorset	76.8
Gloucestershire	77.3
Somerset	77.5
Devon	78.3
Poole	78.5
Swindon	79.2
North Somerset	80.1
Wiltshire	80.7
South Gloucestershire	82.0

Source: Resident Annual population Survey Dataset, October 2008 to September 2009

**3.16** What practical measures can B&NES Council implement which will boost the employment rate amongst the resident population of working age? To understand and answer this it helps to look at the main categories of those not in employment are:

- People who are unemployed
- People who are looking after a family home
- People who are early retired
- People who are permanently sick
- People who are in full-time education

**3.17** Whilst all of these groups have potential for increasing their proportions in employment, either full-time or part-time, the barriers faced by each are hugely different. For example, the issues faced by the early retired are vastly different to the barriers faced by those who are permanently sick. In order to understand this further for B&NES, Table 3.4 shows the percentages of all B&NES residents aged 16 to 74 who are in each of the main categories of economically inactive (and the respective regional and national percentages).

**Table 3.4: Percentages of All Residents Aged 16 to 74 Who Are in Each Category of Economically Inactive**

	B&NES	South West	Great Britain
Retired	14.4	15.5	13.5
Student	7.3	3.9	4.7
Looking after home / family	5.4	6.1	6.5
Permanently sick / disabled	3.3	4.5	5.3
Other	2.1	2.5	3.1

*Source: Census of Population 2001. Sourced from Neighbourhood Statistics, ONS, 2010.*

**3.18** As can be seen, the main reason underpinning the low B&NES employment rate shown in Table 3.3 earlier is it's very high student population. The analysis suggests that the main improvement in B&NES employment rate would derive from strategies aimed at converting full-time students into employment. However, these strategies are not recommended on the basis that the B&NES student population is a highly transient section of the demographic, and are inactive in order to study! Looking at the other categories of economically inactive it can be seen that, compared to the South West, B&NES has relatively low percentage of the population who are retired, carers, permanently sick or other. Whilst the availability of flexible local job opportunities, and an accessible care and work supportive infrastructure, are likely to be the main critical success factors in making any improvements in the B&NES employment rate, the evidence suggests that it will be difficult for B&NES to raise its employment rate. It is not therefore recommended as a policy priority in easing any potential labour supply constraint across B&NES.

## Summary

- 3.19** If an area generates jobs but does not have sufficient growth in working age residents to fill those jobs, then very significant changes in net commutes can be achieved in relatively short spaces of time to fill this deficit (6 years or less). The higher skilled professional profile of the B&NES workforce suggests that out commuter 'claw back' will occur most readily if the additional job opportunities in B&NES match the employment requirements of residents (as in the Higher Growth Scenario 3). Achievement of either Higher Growth Scenario (Scenario 2 and 3) to 2026 will require commensurate capacity growth of the under-pinning transport and communications infrastructure.
- 3.20** Despite possessing a relatively low employment rate, the overly 'student' nature of B&NES economically inactive resident profile (which drives this low rate), means that increasing this rate through policy intervention would be very difficult indeed, and is not recommended.

## 4 Higher Growth Scenario Achievability: Exploring the Employment Space Constraint

### Introduction

- 4.1 Employment Space for investment represents the second pre-condition for the achievement of the growth Scenarios outlined in Section 2.
- 4.2 Each of the Economic Scenarios for B&NES to 2026 has a requirement implication for additional employment space. In this Section of the report we explore the Employment Space Constraint across the whole of the B&NES area and also in each of its four constituent Sub-areas. We do this by cross-referencing the site specific information contained within the three Economic Regeneration Delivery Plans (ERDPs) for Bath and North East Somerset and Planning Monitoring Data with the jobs and employment space change requirements from each of the three Economic Scenarios.

### What are the Employment Space Change Requirements for Each Economic Scenario?

- 4.3 The Employment and Employment Space change requirements under each of the three Economic Scenarios are presented in Table 4.1 below.

**Table 4.1: B&NES Employment Space Provision for Additional Office B Jobs to 2026**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
	Business as Usual	Medium Intervention	Heavy Intervention
<b>Employment (Jobs) Change by Land Use<sup>#</sup></b>			
Industry/Warehouse	-3,100	-1,300	-1,400
Office	4,200	4,800	8,200
<b>Total B Jobs</b>	<b>1,200</b>	<b>3,600</b>	<b>6,800</b>
<b>Employment Space Change Implications (Sq m)</b>			
Industry/Warehouse	-107,000	-45,000	-47,000
Office	78,000	88,000	148,000
<b>Total B Space</b>	<b>-29,000</b>	<b>44,000</b>	<b>101,000</b>
Average Annual Growth Performance, % per annum	-0.19	0.27	0.60

- 4.4 The main points to consider from the Table are the expected declines in jobs and space associated with Industry/Warehouses and the expected increases in jobs and space associated with Offices.
- 4.5 Although not shown in the Table, the need for B-use Industry / Warehousing is expected to decline and/or remain static to 2026 within each of the four B&NES Sub-areas. Conversely, the need for additional B-use office provision is expected to rise within each Sub-area and within each Scenario. As a result, the Scenario analysis suggests that the main Employment Space priority is the provision of employment sites for Office development.

## What is the Employment Space Constraint?

- 4.6** Each of the three Economic Scenarios has different implications for Employment Space for each of the four Sub-areas of B&NES. As a result, it makes sense to explore each of the four B&NES Sub-areas in turn, comparing their requirements within each Scenario with the Employment Space proposals set out in the Council's Economic Regeneration Delivery Plans (ERDPs).
- 4.7** The ERDP's, which have been approved as the basis for corporate action to promote high value added business growth, set out a potential framework for the delivery of employment floorspace at a number of key locations in Bath, Keynsham and the Somer Valley. The ERDPS are not 'planning' policy and remain to be tested as site options during the preparation of the subsequent DPDs to support the Core Strategy.
- 4.8** To supplement the ERDP proposals Council officers have supplied planning monitoring data which provides information on current commitments and planning consents.

### *Bath City*

#### **B Use Offices**

- 4.9** Under the first Scenario, the Business as Usual Scenario, there is a need to provide additional B-use Offices to accommodate an additional 3,300 Office workers in Bath, requiring 60,000 sq m of new Office Employment Space. Scenario 2 requires 3,800 new Office workers in 68,000 sq m of space. Under Scenario 3, the Higher Growth Scenario, there is a need to make provision to accommodate around 7,000 new Office workers in 127,000 sq m of Employment Space.
- 4.10** Table 4.2 shows Office Employment Space options for Bath as set out in the Bath ERDP alongside planning monitoring data. Key sites are grouped into two geographic locations: Bath City Riverside and Twerton Riverside. The ERDP considers mixed use development options across a number of sites. Only the B use employment aspects are presented in this report.

#### *Bath City Riverside (Core Strategy Central Area)*

- 4.11** Bath City Riverside covers a string of development sites following the river corridor to the south and west of the city centre. The Roger Tym Business Growth & Employment Land Study accepted by the Council in 2009 identifies centrally located sites, close to the city centre and good public transport infrastructure, as key to attracting new business investment into the city. The Economic Strategy for B&NES has a priority action to "create new city centre and edge of centre commercial quarters in Bath".
- 4.12** The ERDP sets out the estimated capacity of the City Riverside sites and together with existing commitments highlights the potential for up to 128,950 sq m of net additional floorspace (equivalent to 6,850 jobs).

#### *Twerton Riverside*

- 4.13** Twerton Riverside covers a number of sites totalling nearly 20ha in the river corridor west of the city centre and Bath City Riverside. Historically a largely industrial area several sites are projected to be redeveloped for a different mix of uses under the draft ERDP in recognition of the changing structure of the local economy and the forecast loss of industrial space.
- 4.14** A new mix of uses could include up to 28,620 sq m of new office space (1440jobs).

- 4.15 Taken together Bath City Riverside & Twerton Riverside provide an overall net increase in office floorspace within the extended Bath river corridor of 162,690 sq m. with the potential to deliver 8,570 jobs

**Table 4.2: Bath City Employment Space Provision for Additional Office B Jobs to 2026**

Site Name	Site Type	Total Office Floorspace (Gross Internal Area) Sq m	Estimated Additional Office Jobs 2026
<b>Bath City Riverside Sites</b>			
St Lawrence Court #	Built	2,700	150
Green Park House*	PP	2,750	150
Manvers Street	ERDP	17,000	950
North Quay	ERDP	31,000	1,700
South Quays & South Bank	ERDP	28,500	1,300
P9 Bath Western Riverside East	ERDP /LP Alloc	47,000	2,600
<b>Sub-Total</b>		<b>128,950</b>	<b>6,850</b>
<b>Twerton Riverside Sites</b>			
Weirside Works	Built	1,600	90
Technology House	PP	2,180	120
Waterside Court	PP	3,240	180
Brougham Hayes*	PP	2,600	150
Bath Press	ERDP	5,000	200
Carr's Mill Area	ERDP	14,000	700
<b>Sub-Total</b>		<b>28,620</b>	<b>1440</b>
<b>OUTER BATH</b>			
Rush Hill	Built	2600	140
Rush Hill	PP	2520	140
<b>Sub-Total</b>		<b>5120</b>	<b>280</b>
<b>BATH CITY TOTAL</b>		<b>162,690</b>	<b>8,570</b>

Sources: Bath Economic Regeneration Delivery Plan Final Version and Planning Monitoring Data  
\* Lies between City Riverside and Twerton Riverside

*Allowing for Losses & Choice*

- 4.16 The potential capacity of the Bath City Riverside sites is more than adequate to provide for the net new office jobs generated under the Medium Growth Scenario (68K sq m) and the High Growth Scenario(127K sq m).
- 4.17 However, The Council considers that it would be desirable to release 15-30,000 sq m of the least suitable existing office stock as new space becomes available. Such an allowance broadly reflects the rate of losses experienced between 2001-2011. This results in a total requirement under the medium growth scenario of c.85-100,000 sq m and 142-157,000 sq m under the high growth scenario.



- 4.18** The achievement of the medium growth scenario ( 85 – 100,000 sqm ) therefore requires a significant uplift in interventions vs. the low growth scenario requirement of just 60K. To be clear, low intervention (or no uplift in interventions) may only enable 60k sq m of new office in Bath. Greater (Medium) interventions allow 68k sq m plus an additional 15-30K of new space to achieve a shift in stock profile by allowing for losses .
- 4.19** The achievement of the high growth scenario, based on currently identified supply, indicates very significant interventions would be needed .
- Allowing for Choice*
- 4.20** The gross Employment Space requirements of the Medium Growth Scenario can be accommodated on Bath City Riverside sites whilst providing “headroom” for additional choice which could be supplemented by the potential provision at Twerton Riverside. However the floorspace capacity identified in the ERDP is only just adequate for the gross space needed under the Higher Growth Scenario. This would allow for some release of less suitable stock, but provide no headroom for additional choice. To make the necessary provision further options for providing flexibility and choice would need to be identified.
- 4.21** The Growth Scenarios assume that all of the MOD land is used for residential purposes. To achieve a high growth scenario some part of one or more of those sites may need to be considered for employment purposes (alongside other options) to deliver the higher level of economic growth set out in Scenario 3. Keynsham may also offer an option to reduce the pressure on central Bath which is covered in the section on Keynsham below.
- 4.22** The above analysis does confirm that it will be vital to address the infrastructure constraints to growth in the central Bath river corridor, particularly transportation, flooding and site decontamination in order to optimise the development capacities of that area’s brownfield sites.

### **B Use Industrial / Warehousing**

- 4.23** In terms of Industrial / warehousing Floorspace requirements, under the initial Scenario it was expected that Bath City would lose around 2,400 jobs in Manufacturing and Transport and communications, losing the requirement for around 51,000 sq m of industrial / warehousing Floorspace. Under the Higher Growth Scenarios interventions would take place to stem this decline linked to an increased need for local goods and services to reduce the net loss to 1,700 jobs across both sectors in Scenario 2 and 1,600 jobs in Scenario 3 ( a net loss of 28,000 sq m in Scenario 2 and 29,000 sq m in Scenario 3 )<sup>9</sup>.
- 4.24** Since 2001 Bath has lost about 15,000 sqm of industrial floorspace and seen a reduction of nearly 500 industrial jobs, which is more or less in line with the policy provisions in the B&NES Local Plan. Further losses of floorspace will occur through the future redevelopment of BWR, and possibly the Bath Press and sites at Twerton Riverside. As no new industrial sites are currently identified this emphasises that it will be important for other existing key locations to be safeguarded unless alternative provision is made.

### *Keynsham*

#### **B Use Offices**

- 4.25** Under the first Scenario, there is a need to provide additional B-use Offices to accommodate an additional 200 Office workers in Keynsham, requiring 3,000 sq m of new Office Employment Space. The Scenario 2 and Scenario 3 office requirements for Keynsham are identical and both require 500 new Office workers in 8,000 sq m of space.

<sup>9</sup> The contradiction in jobs loss and employment loss is due to the nature of sub-sectoral changes within each Scenario.

- 4.26** Industrial interventions in Keynsham must also be considered as, through interventions, it was hoped to reduce the expected decline in Manufacturing jobs and Transport and communications jobs from a combined 500 loss to a loss of 200 jobs.
- 4.27** Additional Employment Space in Keynsham is contained principally within the town centre, at the Town Hall and High Street Core sites, and at Somerdale. Table 4.3 below sets out the floorspace included in the Keynsham ERDP.
- 4.28** In total the above sites have the potential to deliver approximately 30,000 sq m of new office floorspace and up to 1,500 local jobs. This provision is (very favourably) well above (more than 3 times as much) the requirement within each of the Economic Intervention Scenarios (Scenarios 2 and 3).
- 4.29** The analysis suggests that if the growth ambition for the Town Hall, High Street Core and Somerdale sites can be achieved with respect to Office provision, then growth in Keynsham will be well above that set out in the Higher Growth Economic Scenarios. This would help to support the Council's objective of strengthening the town's economic base by capitalising on Keynsham's location and transport links and the additional office space could also act to take the pressure away from Central Bath, which, at a higher growth Scenario, will be severely stretched in terms of floorspace (and possibly also its Transport capacity).

### **B Use Industrial / Warehousing**

- 4.30** In terms of the desire to stem the loss of jobs in Manufacturing to 2026 in Keynsham, the most relevant element of the ERDP is the suggested provision for 20,000 sq m of high end industrial space at Somerdale, potentially supporting 500 jobs. If this provision could be achieved at Somerdale, together with the proposed space at south west Keynsham it would absorb the expected 500 loss expected in the Business as Usual and the 200 loss in the higher Growth Scenarios. In fact, it would likely result in *an increase* in Industrial B use employment in Keynsham. Again, and as with Office provision, this would be a far more beneficial outcome for Keynsham than currently expected in any of the three Economic Scenarios and could provide some mitigation for losses of industrial space in Bath.

**Table 4.3: Keynsham Employment Space Provision for Additional Office and Industrial B Jobs to 2026 included in the Economic Regeneration Delivery Plan & on Allocated Sites**

<b>Site Name</b>	<b>Total Floorspace Sq m</b>	<b>Estimated Additional Office Jobs</b>	<b>Estimated Additional Industrial Jobs</b>
Keynsham Town Hall	7,000	400	
High Street Core	2,500	140	
Somerdale	-20,000*		-500
Somerdale	40,000	1,000	500
K2 – South West Keynsham	6,000		170
<b>KEYNSHAM TOTAL</b>	<b>35,500</b>	<b>1540</b>	<b>170</b>

Source: Keynsham Economic Regeneration Delivery Plan Final and Planning Monitoring Data

\*actual floor space loss is greater. Figure presented reflects the number of jobs lost on the site from 2006

*Somer Valley***B Use Offices**

- 4.31** Under the first Scenario, there is a need to provide additional B-use Offices to accommodate an additional 200 Office workers, requiring 5,000 sq m of new Office Employment Space. The Scenario 2 and Scenario 3 office requirements for the Somer Valley are identical and both require 300 new Office workers in 7,000 sq m of space.
- 4.32** Table 4.4 below sets out the potential development sites in the Somer Valley. Built space at Peasedown Business Park and space with planning permission at Polestar and Radstock Railway Land totals 5,742 sq.m (315 jobs). The ERDP identifies the potential for 4,000 sq.m at Alcan and 5,000 sq.m as part of the redevelopment of MSN High Street. These could potentially provide for a further 470 jobs or additional choice for occupiers. Further, the option of Old Mills offers the prospect of providing further office space if demand accelerates beyond expectations or if brownfield sites are not delivered as the ERDP envisages.
- 4.33** The analysis suggests that there is unlikely to an employment space constraint to the achievement of Scenario 2 or Scenario 3. Indeed the combination of existing sites and ERDP sites could enable even greater employment growth in the Somer Valley (subject to greater than forecast market demand and developer interest) and assist in achieving the Economic Strategy objective to diversify the Somer Valley economy.

**B Use Industrial / Warehousing**

- 4.34** Forecasting suggests the loss of between 400-1000 manufacturing jobs in the Somer Valley . However, as with Keynsham, there is a desire to stem the loss of jobs in this sector as part of diversifying and increasing the area's employment base.. .
- 4.35** Since 2006 the closure of Polstar Purnell and Alcan has resulted in the loss of over 650 jobs, However, during this time 170 jobs have been created at Peasedown on the Bath Business Park. In addition allocated sites, including the land at Old Mills have the capacity to deliver a further 1,400 jobs ( circa 49,000 sqm of floorspace ).
- 4.36** The bulk of this provision is at Old Mills which could deliver up to 30,000 sqm of floorspace potentially supporting 900 jobs. Old Mills would provide a new strategic employment location for the Somer Valley, in recognition that much of the land at existing industrial estates is now committed.
- 4.37** Whilst the development of this much space would suggest an uplift in economic performance beyond that suggested in the growth scenario's, it would likely result in an increase in local employment, contributing to the regeneration of the area and supporting the Council's strategic objectives. Old Mills could also provide mitigation against further losses of industrial space locally and in Bath.

**Table 4.4: Somer Valley Employment Space Provision for Additional Office and Industrial B Jobs to 2026 included in the Economic Regeneration Delivery Plan & on Allocated Sites**

Site Name	Site Type	Total Floorspace Sq m	Estimated Additional Office Jobs	Estimated Additional Industrial Jobs
Midsomer Norton High Street	ERDP	5,000	250	
Radstock Railway Land	PP	370	20	
Alcan	ERDP (Vacant)	-7,500		-215
Alcan	ERDP	4,000	220	
Welton Hollow	LP Alloc	2,800		80
MSN Enterprise Park	LP Alloc	2,000		50
Westfield Industrial Estate	LP Alloc	6,600		190
Bath Business Park PstJ.	LP Alloc / Built	2,972	165	
Bath Business Park PstJ.	LP Alloc / Built	5,905		170
Bath Business Park PstJ.	LP Alloc / PP	4,350		125
Polestar, Paulton	Demolished	-7,220		-190
Polestar, Paulton	PP	3,150		90
Polestar Paulton	PP	2,400	130	
<b>SUB TOTAL GAINS</b>		<b>39,547</b>	<b>785</b>	<b>705</b>
<b>SUB TOTAL LOSSES</b>		<b>-14,720</b>	<b>0</b>	<b>-405</b>
<b>SUB TOTAL NET CHANGE</b>		<b>24,827</b>	<b>785</b>	<b>300</b>
Old Mills Option	LP Alloc	44,000	300	900
<b>TOTAL GAINS</b>		<b>83,547</b>	<b>1085</b>	<b>1605</b>
<b>TOTAL LOSSES</b>		<b>-14,720</b>	<b>0</b>	<b>-405</b>
<b>TOTAL NET CHANGE</b>		<b>68,827</b>	<b>1085</b>	<b>1200</b>

Source: Midsomer Norton Regeneration Delivery Plan Version 2 and Planning Monitoring Data

## 5 Interventions for Smart Growth

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### Introduction

- 5.1** To categorically ensure that it achieves a higher growth Scenario to 2026, on each of the three key economic measures of output, jobs and productivity, the B&NES economy must be successful in attracting and encouraging sufficient inward and indigenous investment and growth to create an additional 11,000 jobs, with an above average proportion of these jobs being in higher productivity (higher value added sectors).
- 5.2** To do this requires Council interventions to ensure that the 'pre-conditions' for higher value added economic growth are met in B&NES (suitable land, labour and infrastructure) and specific interventions to attract and encourage higher value added growth and investment in the district.
- 5.3** However, and as with all types of market intervention, in helping to attract and encourage investment and growth, B&NES Council should only intervene where there is clear evidence of market failure. In this section we explore the nature of market failure in B&NES in the creation of the additional jobs and growth, and thus build the case for Council intervention. We then go on to look at the types of interventions which the Council can use to address market failures.

### Market failure in the investment and growth of higher value added industries in B&NES (and the need for Council Intervention)

- 5.4** What evidence is there of market failure to support Council intervention to help support and encourage higher value added growth and investment?
- 5.5** The HM Treasury Green Book set out the rationale for economic development intervention in the UK. The main arguments for intervention concern inefficiencies in the operation of markets and supporting institutions in such areas as:
- Public Goods
  - Externalities
  - Imperfect information
  - Market power
  - The need to establish equity (a 'level playing field') for B&NES economic agents (i.e. people and businesses) suffering disadvantages of size and locational peripherality
- 5.6** In addition to these fundamental economic arguments, Council intervention may also be required to ensure that the necessary economic production preconditions for higher value added investment and growth are met / present in B&NES. For example, it may be necessary to ensure that the area has sufficient available land for development for higher value added industry, or that these industries will have access to a suitably skilled workforce of sufficient magnitude.
- 5.7** Some of these failures will be more relevant to higher value added industry, and the B&NES economy, than others.

### ***Public Goods***

- 5.8** Public Goods are those that are 'non-rival' or 'non-excludable' when used or consumed.
- 5.9** Most of the Council's economic development work in the Public Realm and Public Art provision can be viewed as intervention in the provision of Public Goods. The provision of such 'goods' makes the area more attractive as a place to work, to invest and to do business and to visit. This can have an important impact on the attraction of higher added value businesses and employers.
- 5.10** The development and maintenance of the underpinning Transport and Communications Infrastructure can also be viewed as a Public Good related to HVA sectors and industry. For example, a 'hi-speed' and efficient transport infrastructure can have a significant impact in the attraction, and growth, of higher value added businesses and employers. Similarly, it can be argued that the provision of Public Goods such as education have obvious benefits in the attraction and development of higher added value industry!

### ***Externalities***

- 5.11** 'Externalities' result when a particular activity produces benefits or costs for other activities that are not directly priced into the market. For example, a positive externality is research and development spill-overs whilst an oft-cited negative one is pollution.
- 5.12** Regulation interventions are often imposed to reduce or limit negative externalities.
- 5.13** In terms of positive externalities, such as R&D spill-overs, higher value added industry tend to undertake higher levels of R&D than lower value added industry. It follows that the development of a larger higher value added sector across B&NES will see R&D spill-overs rise commensurately (along with their economic benefits to the B&NES economy of course).

### ***Imperfect information***

- 5.14** Information is needed for higher value added markets to operate efficiently (as with all markets). Buyers need to know what is available, its quality and benefits to them. On the other hand, sellers, lenders and investors need to know the reliability of a buyer, borrower or entrepreneur. Higher value added industries tend to look beyond the local area for markets, supplies and collaborative opportunities than lower value added sectors. They tend to have more of an 'external focus'.
- 5.15** Knowledge of B&NES sellers, and their goods and services, amongst potential buyers and particularly those outside the local area, is a key information failure for the district. However, imperfect information by existing companies in B&NES, surrounding such issues as new market opportunities, supplier opportunities, collaborative opportunities and innovation opportunities, are also all key and significant areas of demonstrable information market failures.
- 5.16** Further, and the bigger and more complex and more 'global' markets become, the more likely that imperfect information will be an issue, and justification, for Council intervention!
- 5.17** The external focus of many higher value added industries means that imperfect information failures are likely to be more prevalent amongst these businesses than amongst lower value added businesses. The case for enhanced support to help higher value added industries deal with information failures is therefore greater amongst higher value added sectors and their businesses.

- 5.18** Information market failure often supports Council intervention in the establishment of networks and partnerships. Knowledge about starting up in a higher added value business is also representative of an information failure and start-up information services are often provided to combat this barrier.
- 5.19** A further good example of Council intervention to address information failures, this time in the inward investment 'market', is the provision and dissemination of inward investment information; potential foreign investor businesses ('buyers' into B&NES) are often not aware of B&NES and its USPs such as a highly educated workforce.
- 5.20** On this latter intervention type, Inward Investment support, it should be noted that there are key sectoral differences regarding imperfect information and inward investment. For example, there are differences which tend to rise with the relative complexity of the inward investment product or service. Higher value added potential inward investments tend to be more complex than lower value added ones (in terms of their information requirements). As a result, if B&NES wishes to move to attract higher added value investors, then the information it proffers will have to be appropriate in its depth of detail to match the needs of the investors.

### ***Market power***

- 5.21** Market power arises as a result of insufficient actual or potential competition to ensure the market continues to operate efficiently. High entry costs can also deter market entry. On this latter issue of entry costs, higher value added sectors often have higher entry costs than lower value added sectors. For example, they require larger premises or plant, or, with their external focus, require greater marketing investment.
- 5.22** Council ownership of key sites with alternative commercial potential, particularly in and around Bath City Centre, represents a market power failure. The Council can undertake intervention to free up these sites for commercial uses.

### ***Equity***

- 5.23** There are also arguments for intervention based on the need to achieve equity for B&NES firms with growth potential in terms of competitive disadvantages they face arising from the physical size of the region, its peripherality, transport and communications and, within this, its air transport infrastructure.
- 5.24** Perhaps the main interventions to support equity concern the development of the transport and communications infrastructure, and measures to encourage firms to use ICTs to help overcome disadvantages of peripherality.

### ***The Preconditions for growth of higher value added industry in B&NES***

- 5.25** The preconditions for accommodating the growth of higher value added industry in B&NES relate to the availability of a suitably skilled labour supply in sufficient numbers, the availability of developable land / employment space, and the availability of a suitable transport and communications infrastructure.
- 5.26** Limitations on any of these preconditions will constrain the growth of higher value added industry and investment in B&NES.

## **Interventions to combat market failure**

**5.27** Council interventions in support of achieving a higher growth Scenario to 2026 can be separated up into two main categories of intervention:

- Interventions to ensure the ‘Pre-Conditions’ for growth are met in B&NES
- Interventions to ensure higher value added jobs growth in sufficient numbers (Smart Economic Growth)

## **Interventions to ensure the ‘Pre-Conditions’ for growth are met in B&NES**

**5.28** The preconditions for accommodating the growth of higher value added industry in B&NES relate to the availability of a suitably skilled labour supply in sufficient numbers, the availability of developable land / employment space, and the availability of a suitable transport and communications infrastructure. Each of these pre-conditions should be viewed as mutually reinforcing as opposed to mutually exclusive.

### ***Intervening to support Employment Land Supply***

**5.29** Monitoring has shown little growth in office space in B&NES, particularly Bath. This is due to a fundamental lack of available sites for development. In Bath all potential major strategic locations ( ie : Bath City Riverside & Twerton Riverside ) have constraints relating to flooding, land remediation and transport which need an overall holistic and strategic response to deliver practical solutions. In the market towns the major sites will require significant specific infrastructure investment.

**5.30** These constraints affect the “market power” of B&NES as a location and mean that the market is unable to function effectively. The Council is justified in investing in “public goods” (infrastructure / inward investment) to deliver the strategic solutions which are a pre-requisite for the majority of the future employment land supply being released for development.

**5.31** Given the timescales for realising solutions, this process should progressed as a matter of urgency.

### ***Intervening to support the Transport and Communications Infrastructure***

#### **Transport**

**5.32** Interventions to support Transport Infrastructure development across Bath & North East Somerset are being developed under the auspices of the Bath Transport Commission.

**5.33** In recognition of the critical importance of transportation to the future of Bath (and Bath & North East Somerset) and the need to ensure that there is appropriate integration/coordination of relevant transport initiatives with future development plans the Council created the Transport Commission to:

- to develop the overall transport strategy for the City
- and to advise on how this strategy can:



- support and facilitate sustainable economic growth,
- reduce congestion
- improve air quality and
- improve sustainable access.
- protect the heritage and improve the amenity of the City'

**5.34** The Commission is advising the Council on the overall strategy to traffic management in the city and specifically on:

- Development of future major transport schemes.
- Securing government support/funding for the Bath Transport Plan;
- cross district HGV movements;
- a strategy for motorists;
- public transport
- role of cycling and
- a programme for the implementation of the Public Realm and Movement Strategy

**5.35** Once the Commission has completed its initial work on the Transport needs of Bath they may look at the wider transport needs of the Districts.

### **Communications**

**5.36** The provision of future-proofed broadband and band width, especially in those areas designated as key employment development sites, will be key to attracting higher value-added businesses in the sectors being targeted by the Council. BT Openreach is acting to improve infrastructure in the District by rolling out its fibre to cabinet technology which will improve connectivity in and around Bath, Midsomer Norton and Radstock.

**5.37** However there is a need to encourage fibre roll-out in other areas, especially Keynsham in order to promote the regeneration of the town centre and major sites such as Somerdale. The West of England Local Enterprise Partnership is setting up a Broadband Infrastructure group to look at connectivity issues and the Council is investigating the potential for making funding bids to Broadband Delivery UK, potentially in partnership with other West of England local authorities.

### ***Intervening to ensure the availability of a suitably skilled workforce for higher value added businesses in sufficient numbers***

**5.38** The main intervention here comprises the B&NES Council responsibility for the delivery of mainstream education through the Local Education Authority. Non-mainstream (mainly post-16) education and training interventions for the Council are considered in the Smart Growth Interventions section below.

## Smart Growth Interventions to Generate Higher Value Added Jobs

- 5.39** There are three main mechanisms by which B&NES can generate sufficient Higher Value Added Jobs Growth and thus achieve a Higher Growth Scenario to 2026:
- i. **Ensuring ‘Enhanced business churn’ through additional support for the attraction of above average levels of high value added investment (HVA investment).** The process of business ‘churn’ sees less efficient and competitive businesses close in the local area. These are then replaced by more efficient and competitive ones. ‘Business churn’ is a natural competitive process which involves replacing / substituting existing lower value added sectors (and jobs therein) with higher value added sectors (and jobs therein). However, for B&NES to achieve a rate of growth above national and regional averages, this process locally must occur at a level such that the local increase in output per worker head is above the national and regional growth rates (‘enhanced business churn’). The main way in which B&NES can ensure ‘enhanced business churn’ is through additional support to compete for the attraction of High Value Added (HVA) Investment. Support for the attraction of HVA investment is therefore a key aspect of this approach.
  - ii. **Helping existing firms to move up the value chain through additional support to help them to capture more value by producing / providing new higher value added products and services.** This process involves supportive measures which help existing B&NES firms to produce **new** (or higher quality) products and provide new services which are higher value added per unit of output. Support for R&D, innovation, quality and skills are important aspects of this approach.
  - iii. **Helping existing firms to move up the value chain through additional support to help them to increase their relative capital and labour and floorspace productivity in production of existing products and services.** This measure means ensuring that existing businesses become higher value added in the production of their **existing** products and services than is occurring nationally. This is done by helping them to increase their relative capital, labour and floorspace productivity against (increases amongst) their national and regional counterparts. Essentially, it means helping B&NES firms to produce more of the same but with less inputs of land, labour and capital. Support for innovation through capital intensification / the application of new technology and the development of skills are important aspects of this approach.
- 5.40** Each of the above mechanisms is heavily inter-related and often mutually supportive. The Chart below sets out an overall Growth Strategy for B&NES which shows the above three mechanisms along with the supporting measures within each mechanism. The Chart also shows the overlap which exists across the three mechanisms, and between the various measures.
- 5.41** The reader is advised that the word ‘PROMOTION’ features in each measure as, if measures are introduced into the local economy, or ramped up from their current level of provision in the local economy, then the promotion of this enhanced offer to business and industry is a critical success factor. Not least, this is because it shows the Council to be specifically helping to provide a conducive operating environment for HVA business and industry, and the building of this image will help give the B&NES economy a distinct competitive advantage in the attraction of HVA investment from the UK and abroad.

- 5.42** Please note that the three red emboldened measures have been highlighted in this way as research has shown that they are the three Critical Success Factors in Cluster Development. On the basis that here we are essentially trying in some way to create a Cluster of high value added business and industry for B&NES, these three measures can be viewed as the 'Priority Measures'.

Attracting new HVA Inward Investment from the UK and Abroad	Helping existing firms to move up the value chain...	
	...by helping them to capture more value by producing new higher value added products and services	...by helping them to increase their relative capital and labour productivity in production of existing products and services
HVA Cluster Development Support / Nurturing the Development of Emerging Higher Value Added Industry Sectors (the three red emboldened Measures summarised below are the CSFs). AND PROMOTION.	Support for Capital Investment in New Plant, Machinery and Equipment (including ICT) . AND PROMOTION.	
Support for Design. AND PROMOTION.		
Support for Branding. AND PROMOTION.		
Support for Quality & Standards. AND PROMOTION.		
B&NES Land and Premises Infrastructure. AND PROMOTION.		
B&NES Transport and Communications Infrastructure. AND PROMOTION.		
Tax Incentives. AND PROMOTION.		
Financial Support for Business Investment. AND PROMOTION.		
<b>Support for Networks and Partnerships.</b> AND PROMOTION.		
<b>Support for HVA Skills Development and Development of a Strong Skills Base in B&amp;NES.</b> AND PROMOTION.		
<b>Support for improving R&amp;D and Innovation Capacity in B&amp;NES.</b> AND PROMOTION.		

## Review and Evaluation of Smart Growth Interventions

**5.43** A comprehensive analysis of each of these Smart Growth Business Interventions was undertaken as part of this study. Perception and investment intervention activities were also reviewed as part of this analysis. The full report from this analysis can be found in Appendix 3 of this report. However, the report gave the following summary:

**6.2** The analysis summarised that, following the “enabling” interventions on the growth pre-conditions of Land & property, ensuring adequate Labour supply and a supportive Transport and Communications infrastructure, the ‘game changing’ higher growth activity for Council intervention was in Perception and Investment support activity. However, after enabling interventions and Perception and Investment, the analysis suggests other individual higher growth intervention activities in which the Council should consider engagement, as they are likely to offer the Council the greatest ‘Return on Investment’, include support for:

- Design and branding
- Networks and partnerships
- R&D innovation and capacity

**5.44** Cluster development for higher value added sectors generally comprises a suite of these individual intervention measures targeted at a particular sector. In light of this the following analysis looks at cluster development support in slightly more detail.

### *Intervention in cluster development support (e.g. for higher value added sectors)*

**5.45** Council intervention in cluster support and development can be justified on the basis that ‘clustering is one of the key drivers of economic growth in localities, cities and regions’<sup>10</sup> but that there are certain local critical success factors in cluster development where there is demonstrable market failure. Council intervention can help B&NES to reap the economic and social benefits which accrue from this, particularly if attention is focused on higher value added activities. However, prior to intervention, and to inform where the Council is best off focusing its supportive interventions, it is essential to understand where market failure exists in cluster development.

**5.46** In fact, the OECD publication, Clusters, Innovation and Entrepreneurship (OECD) summarises this neatly as follows:

*‘Contrary to popular belief, the globalised knowledge economy relies more and more on the local dimension. In order to boost economic development and respond efficiently to ever keener international competition, OECD member countries need to pursue entrepreneurship and innovation policies that reflect their own distinctive local characteristics. Throughout the OECD area, innovation is increasingly concentrated within clusters of enterprises and research/training institutions that work on complementary activities. Indeed, it has been demonstrated that clusters are an important source of innovation and competitiveness driven at the local level. Clusters create an environment conducive to productivity gains, which are a factor of growth, and so form a structure that helps enterprises meet the challenges of international competition. This local dimension of innovation and entrepreneurship nonetheless poses*

<sup>10</sup> A Practical Guide to Cluster Development, A Report to the DTI and the English RDAs, Ecotec Research & Consulting, 2004

*challenges to policy makers because clusters require policies and support schemes that are tailored to local needs.'*

**5.47** As established earlier, the main economic arguments for intervention by B&NES Council lie in such areas as positive externalities from supporting innovation and R&D, imperfect information on starting and running and growing a business and equity. The latter issue of 'equity' will apply most readily in those parts of B&NES which suffer from some form of disadvantage, such as amongst businesses and entrepreneurs in its more rural and less accessible areas, but perhaps most importantly amongst its large proportions of smaller businesses which are disadvantaged by their own size. The main link between each of these market failures is their sector or industry and this provides the main justification for Council intervention in cluster support and development - to benefit from economies of scale in tackling market failure. With Council budgets likely to be limited, this will be an increasingly important issue. The main reason for targeting the higher value added, externally focused employment sectors, with cluster support and development is also that, in general, these are often more complex activities and are thus likely to demonstrate greater levels of market failure than less complicated activities which are linked to the growth of the indigenous population and/or tourism (and which do not suffer from market failure). Market failure is likely to exist most in externally facing sectors which are subject to globalisation, and the increasingly imperfect market knowledge that comes with this. These sectors are also the larger employers of professionals (particularly in Business services), the mainstay of the B&NES resident economy, and are thus essential to ensure workplace/workforce balance.

**5.48** Higher added value sectors produce more output (by definition) and often pay well and, as a result, the 'Return on Investment' from Council Intervention in these sectors is also likely to be higher. For example, externally-focused business to business employment sectors generally earn large proportions of their income from sales outside of the local area and thus support higher concentrations of employment than can be sustained from sectors linked to local population growth and/or tourism. However, local economic development planners tend to have to make greater effort to attract investment of this nature, which is often "footloose" attracted by quality of life issues, the availability of a suitably skilled workforce and suitable premises (and who are attracted to those areas which can provide these). These businesses are often efficient supply mechanisms, are high value added in overall and per worker terms (or at least above average). They often employ large numbers of workers and pay relatively well, and have a higher multiplier than the consumer-linked investment outlined earlier.

#### **Cluster support and development activities**

**5.49** The DTI report identified three factors which are critical for the development of successful clusters:

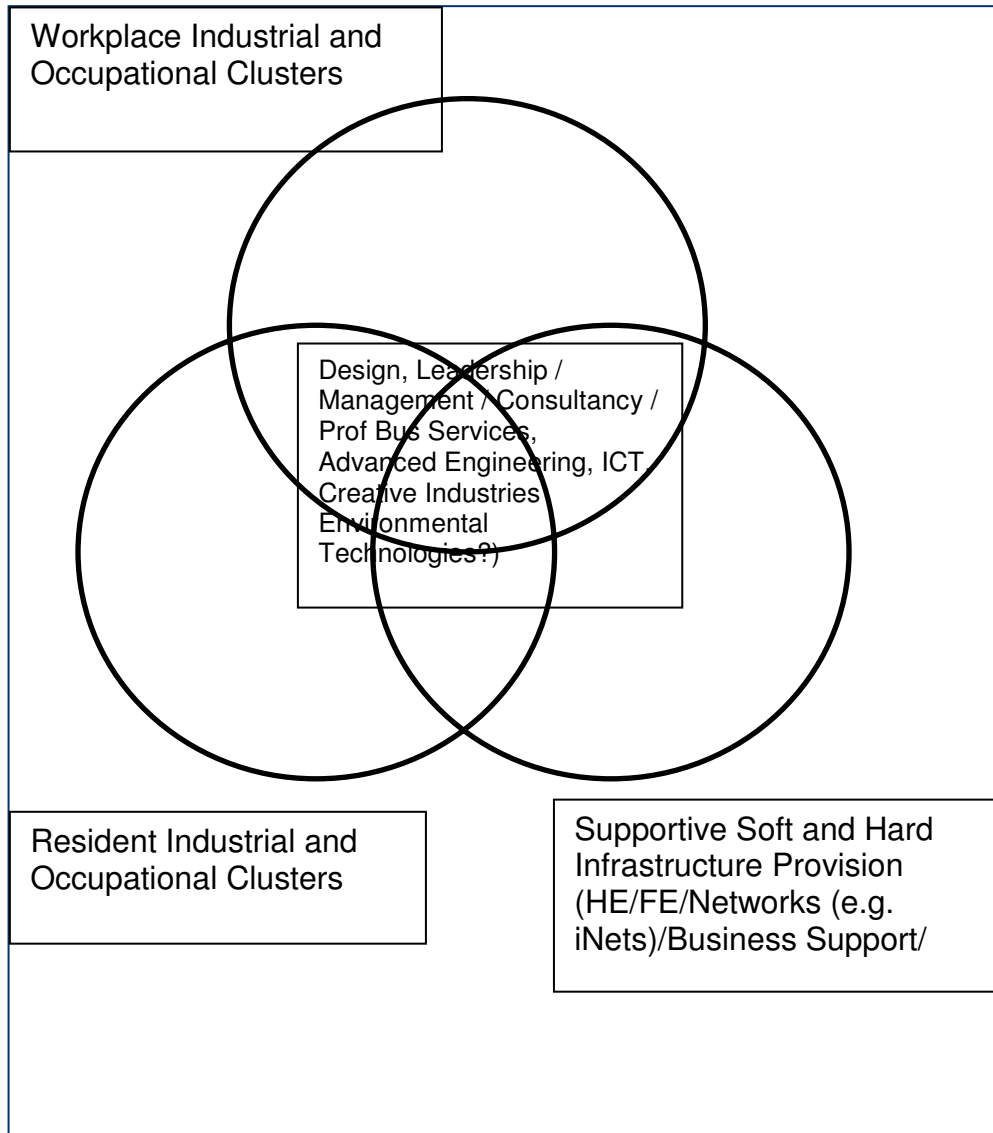
- Critical success factors - the presence of functioning networks and partnerships; a strong innovation base with supporting R&D activities where appropriate; and, the existence of a strong skills base.
- Contributing success factors of: An adequate physical infrastructure; the presence of large firms; a strong entrepreneurial culture; and, access to sources of finance
- Complementary success factors, such as advice, which may help individual businesses but which are not explicitly cluster-focused.

**5.50** A different approach to intervention will be required according to the nature and needs of the Cluster. The specific intervention activities will become clearer once it is established which sectors or clusters to support.

### Which Clusters?

- 5.51** If it is accepted that some form of Council intervention in cluster development is appropriate, which sectors should B&NES prioritise?
- 5.52** Commercial workplace sectors / specialisms in B&NES, as identified by the Council, are:
- Advanced Engineering
  - Creative industries
  - Information & communication technologies
  - Environmental technologies
  - Retail
  - Leisure and Tourism
- 5.53** However, we propose that there may be an opportunity to identify further 'Economic Activity Clusters' in which B&NES has cluster development potential. To identify these activities it is proposed that an analysis of each of the following three inter-related economic activities is undertaken, and a Venn Diagram analysis completed:
- Workplace Industrial and Occupational Clusters
  - Resident Industrial and Occupational Clusters
  - HE (and FE) Research and Learning Industrial and Occupational Clusters
- 5.54** The rationale underpinning this methodology for identification of clusters is that B&NES has mutually reinforcing economic strengths within these activities, and that this situation presents the optimal circumstances for sector integration and cluster development.
- 5.55** The Venn Diagram on the page over shows a provisional example of this analysis which has been developed for illustrative purposes only. It suggests that B&NES has workplace, resident and supportive learning clusters in such activities as:
- Design
  - Leadership / Management
  - Consultancy / Prof Bus Services
  - Advanced Engineering
  - ICT
  - Creative Industries
  - Environmental Technologies
- 5.56** The above has been developed to illustrate an analysis which has yet to be undertaken. It is suggested that this is a research priority for B&NES and should also be undertaken for each of the sub-areas. The approach will help establish the 'USP' of B&NES and its four constituent sub-areas, and will be useful for inward investment support, as well as informing sector support intervention strategies. Activities with above average presence in two, or even one, of the

three areas (of workplace, residents and learning) should also be considered, depending on individual circumstances and development potential.





**5.57** Once the Activity Clusters have been identified, a Cluster Development Strategy should be formulated for each. For example, in Professional services, is there a 'Pro.Bath' opportunity as part of a sector support strategy? (The opportunity to establish a network / membership organisation for B&NES professional business services sector). Could the Council establish some 'Knowledge Workspace' in the City Centre to support the Cluster?

**5.58** Similarly, consultation with B&NES Council representatives on how the Council should support the Environmental Technologies Sector gave rise to a number of support activities which would fit within a sector development strategy:

- Use existing relevant Networks<sup>11</sup>
- Collection and analysis of data and intelligence on the Sector
- Promotion of Bath as an investment location
- Help sector increase its take-up of existing business support

**5.59** In the Creative Industries the following interventions may be appropriate:

- Helping rural self-employed access markets and support services
- Specialist start-up support for the smallest of Creative enterprises
- Overall Cluster support, development and integration, particularly outside of Bath City
- Public art provision
- Use of the Creative Industries in the delivery of other public services such as health and safety, education and training, and tackling crime and deprivation
- Exploiting a regional role for Bath as the region's Creative Capital.

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<sup>11</sup> Transition Bath, Low Carbon SW (BETS), Innovation Centre, Silicon SW, Science City, Private sector companies (2OC/Buro/Picochip/Resoure Futures), SPARK, BEN, National Networks such as BREEAM and the EcoSchools initiative, SWAIN, the iNET, the LEP

## 6 Conclusions and Recommendations

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### Introduction

- 6.3** As with all local economies, it is important for B&NES to grow as sustainably as possible over the planning period to 2026. In practical terms, this involves ensuring that growth is both ‘balanced’ and ‘smart’. This section provides a series of conclusions and recommendations to help ensure sustainable economic growth for B&NES to 2026.

### Balanced Growth

- 6.4** ‘Balanced growth’ means ensuring there is balance between workplace jobs growth in B&NES and growth in B&NES working age residents. This balance should be in terms of both the numbers of future B&NES workers, but also balance in the types of jobs these residents will require. This balance is crucial to avoid unemployment and/or excessive commuting, and thus avoid the negative and long term social and environmental impacts of labour market imbalance.
- 6.5** Evidence of labour market balance / imbalance in B&NES can be established through comparison of forecasts and projections for working age residents, with forecasts and projections for workplace job opportunities.

### Smart Growth

- 6.6** ‘Smart Growth’ relates to the fundamental economic principle of maximising the use of limited resources of workers and floorspace in the production of output, largely by growing higher value added sectors. Adherence to this basic principle enables the B&NES economy to achieve the highest possible levels of productivity and incomes. It ensures the economy remains competitive and continues to provide sufficient employment opportunities in an increasingly globally competitive future. It is sustainable in that it maximises output with least inputs of resources.
- 6.7** Workplace labour productivity (GVA per worker) is a suitable measure for the labour / worker element of Smart Growth. Floorspace productivity is a suitable measure for the floorspace element of Smart Growth.

### Current Growth Predictions for B&NES (Without Intervention)

- 6.8** Current / recent economic forecasts for B&NES by professional forecasting bodies, such as Oxford Economics and Experian Business Strategies, are suggesting very low workplace jobs growth to 2026. This jobs growth is out of keeping with the expected rise in growth of the B&NES working age population, as projected through the most recent official Population Projections for B&NES (2008-based Sub-national population projections from the Office for National Statistics). From the labour market perspective at least, a simple comparisons of the expected job rise in B&NES with the expected rise in its working age population, shows that the future growth of B&NES is unlikely to be balanced.
- 6.9** These same forecasts for B&NES productivity to 2026 show the area, as with the broader South West region, significantly lagging in terms of future growth in labour productivity. The evidence suggests that B&NES future growth, without intervention, is unlikely to be Smart Growth.
- 6.10** It can be concluded that without intervention, B&NES future growth path will not be sustainable in that it is unlikely to be ‘balanced’ nor ‘smart’.

## The Economic Consequences of Inaction

- 6.11** The consequences of ‘doing nothing’, and not achieving balanced growth and/or smart growth are potentially catastrophic for the B&NES economy.
- 6.12** In terms of not achieving balanced growth, the main consequences relate to the fact that the expected rise in B&NES working age adult population to 2026 will currently *exceed* its forecast jobs growth, without intervention, by several thousands (and particularly in employment land and premises). These residents will be forced to find work outside of the B&NES area and B&NES will have an increased ‘dormitory’ role with increased out-commuting and associated environmental impacts.
- 6.13** The situation will also leave B&NES reliant on other areas for future jobs growth which meets the requirements of its overly qualified residents. In practice this may not happen, Bristol is forecast to have the lowest share of West of England jobs growth to 2026. Under such circumstances, there will be a rapid out-migration of skilled and professional young people, and a rapidly ageing workforce profile will occur as a result.
- 6.14** Perhaps the final major consequence of not achieving balanced growth will be the impact on B&NES urban centres such as the centre of Bath and the high streets of Keynsham and Midsomer Norton. These areas are hugely reliant upon spend (and multipliers) associated with local daytime and early evening spend from workers. With no growth in this spend, investment growth into B&NES high streets and urban centres will deteriorate. In some parts of B&NES, particularly those which do not rely on tourism, these circumstances will do little to support economic development and regeneration.
- 6.15** In terms of smart growth, the consequences are equally severe; below average productivity growth shows below average competitiveness growth in an increasingly competitive global economic arena. This situation leaves B&NES with below average workplace output growth attributable to productivity gains and below average growth in workplace incomes. It shows an economy which is increasingly reliant on lower value added sectors, and one which is certainly not making the most of its professional and higher value added resident workforce.

## Council Intervention

- 6.16** The evidence suggests that very significant intervention is required in B&NES if it is to ensure ‘balanced’ future economic growth. Avoiding an unsustainable growth path requires mutually reinforcing interventions to ensure that:
- the economic growth ‘preconditions’ relating to labour supply and employment space are met in B&NES such that the area can accommodate investment;
  - B&NES attracts and encourages business investment which is above average in terms of its productivity.
- 6.17** Interventions should be justified by clear evidence of market failure.
- In terms of the pre-conditions for growth, this failure exists in B&NES due to a fundamental current and forecast lack of suitable land for office floorspace development in Central Bath.
  - In the case of higher growth business interventions, market failure is mostly driven by “imperfect information” amongst B&NES businesses, entrepreneurs and potential investors which can limit or prevent business investment. This latter failure will continue and increase, with trends in globalisation. There are also arguments for intervention based on “positive externalities” (such as innovation and R&D ‘spill-overs’) and addressing the disadvantage suffered

by some B&NES SMEs in terms of their relative geographic isolation and their small size.

### **The Main Conditions for Economic Growth**

- 6.18** As with any local economy, and outside of productivity improvements, economic growth occurs as a result of additional factors of economic production being combined; entrepreneurs combine land & premises, labour, and capital investment to produce goods and services which are sold. If any of these factors are constrained, directly or indirectly, then this will inhibit growth.
- 6.19** The main 'pre-conditions' for local economic growth are therefore net additional employment floorspace, net additional workers and net additional levels of capital investment.
- 6.20** In addition to the pre-conditions, there are also a number of ways in which the Council can help to secure higher levels of investment which will ensure smart growth.

### **Ensuring the Supply 'Pre-conditions' for (Smart) Economic Growth**

- 6.21** This study has shown that it is highly unlikely that labour supply growth will act as a constraint on economic growth in B&NES; the labour supply pre-condition for economic growth in B&NES will be met as a result of its expected rise in working age adults to 2026.
- 6.22** With the labour supply precondition looking highly likely (so long as the housebuild as set out in the Keith Woodhead Report is actually achieved), then the main higher growth pre-condition for B&NES concern the availability of suitable employment sites for development to accommodate business investment. Unlike labour supply, a lack of employment floorspace represents a severely significant constraint on B&NES future economic growth.
- 6.23** Attention to this pre-condition for economic growth in B&NES represents the main priority for the Council.
- 6.24** A further precondition concerns the need to ensure that the underpinning Transport and Broadband Communications infrastructures can support higher levels of higher-value added economic growth. An additional 8,700 jobs will require significant additional work journeys, and businesses today, particularly the kinds of knowledge-based businesses mentioned throughout this study, need supportive bandwidth.
- 6.25** The main suggestions for the Council surrounding the preconditions for smart growth are therefore:
- Ensuring Net Additional Employment Floorspace
  - Ensuring that sufficient housebuild is achieved to provide accommodation for an additional 8,700 new net additional jobs across B&NES (as is set out in the Core Strategy).
  - to ensure that the under-pinning transport and communications infrastructure in B&NES can cope with the additional workers and their commuting requirements, and the additional economic business activity across all sectors of the economy which will be being undertaken in B&NES in 2026.

### **Net Additional Employment Floorspace – the Main Growth Constraint for B&NES**

- 6.26** Employment floorspace concerns B-use employment activities and sectors which have a requirement for employment land. It is not concerned with non-B-use sectors such as Retail, Hotels and restaurants and many elements of Other services which tend to serve the indigenous population and the visiting population.
- 6.27** Some may argue that growth in these sectors, linked to the expected growth in B&NES' population to 2026 and tourism growth, could be sufficient to create sufficient jobs to sustain the additional B&NES workers. As a result, it could be argued that growth in employment sectors is not necessarily important in B&NES to 2026. The main problem with this argument is that it would lead to a fundamental restructuring of the B&NES economy in favour of lower order lower value added and lower paid jobs which are completely out of sync with the highly qualified nature of B&NES resident workers in 2026. These workers would be forced out to find work whilst the "service" economy would continue to attract higher numbers of in-commuters to fill these jobs. Such a Scenario obviously represents a wholly unsustainable growth path for B&NES and firmly suggests that the provision of B-use employment land is essential in achieving balanced growth for B&NES in the future.
- 6.28** A further argument which demonstrates the importance of B Use jobs growth concerns the crucial inter-dependency between spend from these jobs and B&NES' high streets. Without these jobs, and growth in these jobs, B&NES' high streets will suffer tremendously.
- 6.29** Bath City can accommodate the additional B Use Office jobs required for the Medium and Higher Growth Scenarios by bringing forward its Central sites for Office development. This can be combined with selected development of non-central sites to provide flexibility and choice and continued protection of current industrial locations. In addition employment development on some part of the MOD's site and at Somerdale in Keynsham could potentially ease this pressure on central area n Bath.
- 6.30** Outside Bath in Keynsham, potential capacity for Office development at the Town Hall and Somerdale, and Industrial / warehousing potential redevelopment at Somerdale, would (favourably) support much higher B Use economic growth in the Sub-area than set out in the Higher Growth Scenario. The same is true of the Somer Valley, particularly with development of the Alcan and Old Mills sites.
- 6.31** There are particular further research needs:
- a. In light of the Scenario Development and Analysis, a more practical review of B&NES sites should be undertaken. The Council needs to underwrite risk on key unencumbered sites in order to give the developer the confidence to invest.
  - b. Undertake a Developer Investor Study which looks at Planning, Timescale, Flood and Infrastructure surrounding key sites. The development of an 'Industrial Relocation Strategy' should also be considered which explores the 'Move On' requirements of key employers.
  - c. Identify the mechanisms and priorities for developing Bath's future transport capacity to support economic growth.
  - d. According to the recent White Paper, SWRDA property assets can be passed to the Local Enterprise Partnership if it can justify the economic case. This work could be used to support that case. Further research is required to identify any SWRDA property assets in B&NES.
  - e. A research evidence-base is also required for supporting applications to the Regional Growth Fund. (Kingsmead House represents a good example of a Fund candidate for which further supporting evidence will be required if it was to be the subject of an RGF bid).

### **Interventions to attract and encourage 'higher value added' business investment**

- 6.32** Outside of its remit in setting the preconditions for economic growth across B&NES to secure balanced growth, the Council also has a role in ensuring that the growth which does occur is also smart growth (in that it is higher value added in nature and makes best use of limited net additional resources to 2026 of land, labour and capital investment).
- 6.33** Smart growth is also important for ensuring balanced growth; the new business investment that occurs in B&NES should also be above-average value added such that it provides the new job opportunities which suit B&NES highly qualified workforce.
- 6.34** If B&NES Council wishes to achieve a higher growth economic Scenario to 2026, particularly with its limited resources of land and labour, then it should consider further practical support and engagement in HVA support measures which are aimed at nurturing the development and growth of existing and emerging Higher Value Added Industry Sectors.
- 6.35** This study has shown that the 'game changing' higher growth activity for the Council to consider is enhanced Perception and Investment support. Following Perception and Investment, other higher growth intervention activities in which the Council should engage, as they are likely to offer the Council the greatest 'Return on Investment', include support for:
- Design and branding
  - Networks and partnerships
  - R&D innovation and capacity
- 6.36** Also worth considering, as they can produce an adequate ROI, particularly in certain circumstances, are:
- Skills development
  - Quality and standards
  - Leadership and management
  - University collaboration
  - Tax incentives and financial support
- 6.37** These interventions are a combination of direct business-focused interventions and the marketing and promotion of the B&NES offer to attract business investment (particularly its offer in terms of the labour supply and employment floorspace pre-conditions, quality of life as a place to relocate / invest and supporting infrastructures such as HE and FE).

*Perception and Investment support offers the greatest returns*

- 6.38** A key consideration in taking the work forward is whether B&NES wishes to establish its own perception and investment team or whether this is likely to also be an area of activity for the LEP. The issue of resources will be critical in driving how the activity will be taken forward. As well as human resources, there will also be the need to have certain mechanisms in place such as an effective database which will be needed for effective account management of the potential companies.
- 6.39** The objective of an perception and investment strategy must be agreed at the outset and be based on achievable targets which relate to the resources available and the 'B&NES 'offer', including the availability of commercial space.
- 6.40** Once a structure is decided upon, B&NES Council will need to understand which are the key sectors in its locality and how these relate to growth sectors overall. An important aspect of this will be engaging with existing local companies in the targeted sectors to understand their drivers and industry trends.
- 6.41** Once the local sector analysis has been undertaken B&NES will need to have the all the relevant data in place from which to develop the perception and investment proposition. This will include: demographics, availability of labour pool, skills base, graduates, property availability and, transport infrastructure. As well as this generic information data relating to the needs of the specific targeted sectors such as skills availability and cost and key existing companies in the sector will be required.
- 6.42** However, in creating a persuasive proposition, the data will need to be turned into a compelling proposition with the focus on each priority sector to establish perception and investment projects in B&NES as opposed to other locations.
- 6.43** An effective framework of local partners who will help to 'deliver' the perception and investment project, such as property agents, developers, recruiters and the universities will need to be established.
- 6.44** A targeted contact management campaign will need to be put in place and executed for each targeted sector. This will include identifying if within the wider local partnership and existing companies there are contacts and leads that could be developed.
- 6.45** To build on the above "preparatory" work there is an opportunity to consider a proactive intervention approach based on perception and investment within Bath & NE Somerset. Any such approach will however require some careful planning to ensure that the type of investment being sought is compatible with the product offer and is the type of project which is typically generated from inward investment.
- 6.46** As a result a typical planning approach to undertaking this activity could be:
1. Review sector strengths and sector demand in South West England. Review the typical source of new investment projects for each of these sectors.
  2. Determine the essential elements of the supply side offer which is required to provide an offer for this type of investment.
  3. Having determined supply side and demand side characteristics select a short list of potential investment sectors / activities.
  4. Determine the objective of the activity.
  5. Evaluate the possible avenues for promotion – typically more sophisticated B2B type promotional channels are more effective (and certainly more cost effective) than widespread promotional work with a wide potential audience.

6. Develop a suite of information packs to support potential clients and to allow a rapid personalised and professional response to enquirers.
7. Brief a range of associated service providers about the investment approach to ensure readiness and understanding for future visits.

- 6.47** Determine the potential project handling approach – most investors expect a location to be ‘client ready’. Locations that believe that issues can be sorted once clients have shown an initial interest are usually disappointed.

## Area Specific Interventions

### *Bath City*

- 6.48** In achieving either of the higher growth Scenarios, and avoiding the disastrous and unsustainable low growth Scenario, B&NES Council intervention in Bath must focus upon bringing forward central sites for office development as quickly as possible. Future transport planning to and in and around Bath City will also be crucial in supporting additional economic activity and commuting. A major campaign of supportive perception and investment activity will be required for the City, though this needs to be informed by the undertaking of the Venn cluster analysis to identify the Bath USPs. Bath is tremendously fortuitous in having access to one of the most highly qualified resident workforces in the Country. It also has significant commercial provision in such areas as Design and branding and HE (and FE) provision in R&D and innovation. A provisional Venn cluster analysis suggests that Bath City has major cluster development potential in such professional service areas as consultancy, design and leadership and management (as well as already evidenced clusters in Creative and ICT). Bath is also one of the most internationally well-known cities in the UK.
- 6.49** Depending upon the outcome and findings of the cluster analysis, there is perhaps the opportunity to position Bath as an international centre of business solution and knowledge. As part of this, and as a focal point, the Council could consider the development of managed workspace / incubation / meeting and networking facilities<sup>12</sup>. The workspace should be closely linked to the existing Innovation Centre.

### *Keynsham*

- 6.50** The main intervention priority in Keynsham in the achievement of a higher growth Scenario is the careful redevelopment of Somerdale, combined with supportive perception and investment activities. The idea of developing part of the site as a ‘Business Campus’ has been suggested, a prospect which would require sector-specific supporting perception and investment activities. In addition to the site redevelopment and investment support for such a project, the Council could support the on-site availability of enhanced business support for such activities as business Design and Branding activities and business R&D and innovation activities. The availability of, and access to, supportive business networks and partnerships, should also be considered. Undertaking a Venn cluster analysis for Somerdale would be wholly useful in informing its redevelopment. The economic impact of each of the development options should also be considered as part of the selection process.

<sup>12</sup> See for example The Old Church School, Frome [www.theoldchurchschool.co.uk](http://www.theoldchurchschool.co.uk). Commercial easy-in/out workspace designed for people and businesses to work, meet, network, create and realise ideas. The space is a serviced Grade II listed former school with studios and open plan flexible workspace, kitchen/lounge, meeting rooms, 24Mb wireless broadband, VoIP phones, IT support, day membership, hot-desking, and business support.



### *Somer Valley*

- 6.51** The situation in Somer is slightly more complex than in Keynsham on the basis that there are slightly more sites with B-use development potential. The main 'pre-condition' intervention priority to achieve the additional higher growth Scenario jobs is the careful redevelopment of the Old Mills combined with the regeneration of older industrial sites and employment related initiatives in Midsomer Norton town centre. As with Somerdale above, the completion of the Venn cluster analysis for the Old Mills site, and economic impact analysis, could be informative in the development process. Also as with Somerdale, and whatever the employment development at the site, supportive perception and investment activity should be undertaken and the availability of enhanced business support considered (in the higher growth intervention areas of business Design and Branding activities, business R&D and innovation activities and availability of, and access to, supportive business networks and partnerships).
- 6.52** Supporting interventions should investigate measures aimed at
- a. Avoiding the expected loss of 1,500 jobs in Manufacturing by implementing measures which will raise its productivity and competitiveness, and possibly even attract new high value added Manufacturers. Current business and employment Manufacturing clusters in the Somer Valley include: Publishing, printing, Fabricated metal products, and the Manufacture of machinery and equipment.
  - b. Ramping up growth in local growth sectors such as Construction, Distribution and Other services (which includes services to people and households, including leisure services). Other opportunities exist for the Somer Valley in Business Services, particularly opportunities linked to the provision of modern office accommodation through mixed use redevelopments of older industrial sites and in the area's town centres. Writhlington Schools' recent development of an Enterprise Centre may well have a role to play in attracting such investment.
- 6.53** Interventions to support growth of the Construction industry and Other services industries should concentrate on exploiting the potential of Norton Radstock College to generate a skilled workforce and attract inward investment from large efficient supply mechanisms (big companies in these sectors).

### **Other conclusions and recommendations**

- 6.54** An initial analysis shows that B&NES may have workplace, resident and supportive learning clusters in such activities as: Design; Leadership / Management; Consultancy / Prof Bus Services; Advanced Engineering; ICT; Creative Industries; and, Environmental Technologies. To properly identify clusters and the potential for supportive interventions requires further research which should be a priority for B&NES and each of the sub-areas.
- 6.55** The approach will help establish the 'USP' of B&NES and its four constituent sub-areas, and will be useful for inward investment support, as well as informing sector support intervention strategies. Activities with above average presence in two, or even one, of the three areas (of workplace, residents and learning) should also be considered, depending on individual circumstances and development potential. Once the Activity Clusters have been identified, a Cluster Development Strategy should be formulated for each.
- 6.56** One of the main B&NES USPs concerns its highly and overly well-qualified workforce, entirely suited to professional business services investments. This aspect of the B&NES offer will be a critical factor in successfully attracting associated investment. A detailed labour market research analysis should be undertaken which provides the statistical evidence to inform the marketing and promotion of this offer.

- 6.57** In acknowledgement of the increasing “globalisation” of the economy and building on the work to develop links with China a country and sector specific Internationalisation Strategy for B&NES should be developed in order to exploit and maximise the area’s and in particular Bath’s international potential.