West of England
Local Enterprise Partnership

West of England Local Economic Assessment: Executive Summary

December 2011

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1.1 The West of England Local Economic Assessment (LEA) builds upon the four unitary authorities' assessments and gives a strategic overview of some of the key challenges and opportunities being faced by the Partnership area. The West of England LEA will provide a shared robust evidence base to inform strategies, policies and plans; and will provide a base line of information for the Local Enterprise Partnership (LEP) in developing and taking forward their agenda for delivering sustainable economic growth.

Key Emerging Messages: Challenges and Opportunities

1.2 Key emerging challenges and opportunities from the West of England Local Economic Assessment are set out under the three priority headings of People, Business and Place, in line with the Local Enterprise Partnership proposal. A clear finding is the inter-relationships and interdependencies of these factors in ensuring the West of England functions competitively.

People

Skills levels of the Working Age Population

Level 3+ Skills:

1.3 The West of England has a higher proportion of its workforce educated to NVQ 4 (first degree) and above than the regional and national averages, and any of the other Core City LEP areas. However, this is not evenly distributed across the whole of the partnership area with South Gloucestershire having the lowest proportion of its workforce educated to NVQ 4 of all of the West of England authorities, this is also below the national average. A highly skilled workforce promotes both innovation and productivity, both are a pre-requisite for a knowledge-based economy and crucial to economic growth. Furthermore, a workforce with transferable skills is less likely to suffer unemployment even in times of recession; and a flexible workforce will lead to faster emergence from a recession.

1.4 The West of England's advantage at this level needs to be maintained, and if possible improved, if our full growth potential is to be realised. By definition the competition in knowledge-based economies is international and the benchmark for this city-region needs to be set accordingly to reflect this.

1.5 Level three or intermediate level skills are also crucial in providing the craft and technician skills necessary, for the backbone of a skilled workforce. In periods of rapid change in technologies and markets maintaining these skills is a major challenge. The existing workforce needs upskilling; the majority of the 2025 workforce will be made up of those currently in the existing workforce. As with Level 4 skills, the area is above average at these levels but that level of supply needs to be maintained if skills shortages are not to hamper business growth. Upskilling of the existing workforce is required in level 2 to meet business needs, and in levels 3 and 4 to maintain and improve competitiveness.

1.6 There are also issues relating to underutilisation of graduates, with 37% working in non-graduate occupations. If graduates are competing and occupying lower level skilled jobs, this can prevent those with lower level skills from entering into the workforce. Conversely there is a significant degree of graduate importing in the two most highly paid employment sectors of engineering and business/financial services. This would suggest there might be a need to ensure there are courses on offer within the West of England to provide the skills needed for these major employers. There is a need for business and the public sector to maintain funding and to support graduate training programmes, which offer a vital vocational entry route for graduates into the workplace and encourage graduate retention.

1.7 The threshold for those deemed of working age is also steadily increasing; this not only has an impact on the size of the workforce but also skills and qualifications. There is a risk that the older workforce will be excluded from the jobs market, as many of their formal qualification can be deemed out of date. Also of concern are those currently working successfully in skilled jobs but with no or few formal qualifications. The effects of these issues on the labour market are currently not fully understood and the implications for training provision, and ability to meet business need are yet to be seen.

Work readiness:

1.8 A concern routinely raised by businesses locally (and elsewhere) is the lack of preparedness of young people for the demands and disciplines of the work environment. Specific issues range from the behavioural - the ability to show flexibility, positive attitudes to the more specific competences such as literacy, numeracy and ability to communicate with colleagues and/or potential customers. Many sectors within the West of England i.e. Creative Industries and, Advanced Engineering and Aerospace require mainly level 4 skills, however employability also includes the demand for greater business awareness. A related but separate challenge is improving access to work for those not in employment. Many workless individuals evidence the same problems in terms of work-readiness compounded by the current weak state of the national and global economy.

Jobs and workforce projections:

1.9 Dwelling allocations identified in each of the UA's will have significant implications on the actual level of jobs growth in the West of England. Aspirations for higher levels of economic growth, and realising the potential of the West of England, will need to be balanced against environmental and quality of life considerations as a basis for planning land supply, along with workforce skills and business support and investment in infrastructure.

Business

Public Sector Funding Cuts:

1.10 Public sector spending cuts are likely to cause an increase in the number of people made redundant in the area and actively looking for work (from the public, private and third/civil society sectors). Although there is a significant amount of private sector job creation within the West of England, they are not necessarily being created fast enough and may not help to redress the balance of public sector jobs lost. For example private sector jobs created may require different skills sets and may not be in the locations where public sector job losses are being experienced. Problems may arise depending on how this process is managed across the public sector, as there are currently fewer private sector job vacancies available as a result of a recovering economy. There will also be an increase of people applying for benefits and depending upon other public services. or in the locations where public sector job losses are being experienced.

1.11 Public spending cuts may also adversely affect public transport subsidies, potentially resulting in the removal of less financially viable routes. This may increase the isolation of rural and more disadvantaged communities accessing job opportunities. It may also increase reliance on car journeys, which in turn will increase the costs of living and congestion. It should be noted that there has been significant investments made into improving public transport in across the West of England in recent years, and the benefits of these schemes will be seen over time.

1.12 The business support landscape has changed significantly since the General election. With cuts to public funding a lot of business support activity will cease, reduce in scale or be delivered as part of national programmes. The challenge for the area will be how do we ensure West of England Businesses access the right support at the right time and how do we engage with national providers to ensure our businesses get a fair share of support.

1.13 Despite intervention, gaps in business support will still exist, for instance there will remain a need for continued support for entrepreneurship (start up) and innovation (high growth) to support delivery of planned economic growth and reduced public sector employment.

Low Carbon Economy:

1.14 There is a clear imperative to avoid further damage to our environment and take advantage of the numerous opportunities arising from efforts to promote a low carbon economy through sustainable economic growth. SWRDA have provided significant direct support (some £5million over 8years) through Regen SW for sustainable energy sector development, which has supported hundreds of businesses in the West of England. A large amount of research on the Low Carbon Economy has already been carried out by Regen SW. However there remains a need for further localised analysis of the environmental technologies sector to understand our local strengths and opportunities. In particular identifying how best to realise: the potential to promote green jobs; green initiatives relevant to the West of England with the significant potential of the Port of Bristol; linkages with green technology and high tech industry; and the environmental technology iNet. This opportunity is further emphasised following the announcement that the National Composite Centre is designated as part of the national advanced manufacturing Technology Innovation Centre.

1.15 The impact of a government announcement that Oldbury in South Gloucestershire should be listed as a site for a nuclear power station will have significant implications for the wider economy of the West of England.

Innovation & Key Sector Support:

1.16 There is a strong historical legacy of innovation across the West of England. Bristol City Region is one of six UK Science Cities, awarded this status in recognition of its world-class academic research, strong scientific SME base and its potential to drive economic development through science and innovation. The development of SPark in South Gloucestershire will help strengthen this legacy further, with the potential to create over 6,000 highly skilled jobs in aerospace, defence, digital technologies and biotechnology. There is a need for more innovation centre provision across the Partnership area, as illustrated in the Key Sector Study, 2009, building on and linking to SPark and the identification of "move on" space to accommodate businesses graduating from incubation centres.

1.17 A recent report produced by HSBC[1] identifies the greater Bristol area as a 'super city' with particular strength in pioneering new materials, helping the area secure a position as a centre for advanced engineering. The greater Bristol area is considered to be leading the way for rebalancing of British manufacturing through the development of Advanced Composites.

1.18 Furthermore, Bristol and Bath have both been recognised in the NESTA (National Endowment for Science Technology and the Arts) 2009 study as two of nine hot spots for creative industries outside of London, with particular strengths in: video, film and photography; music and the visual and performing arts; publishing; software, computer games and electronic publishing; and radio and TV. To help retain and promote such industries, specialist premises need to be developed, such as the "Paintworks" in Bristol. These are seen as ideal for such businesses to cluster and promote innovation, but more affordable space is also required.

1.19 There is therefore a need for a precise definition of the key sector so as to identify clearly their characteristics, strengths, key businesses and further drivers of growth. The West of England

[1] HSBC, The Future of Business, 2011; http://www.business.hsbc.co.uk/1/2/hsbc-publications#future

could build on the strengths of existing sector networks and links to sector INets, whilst at the same time continuing to support & nurture the volume employment sectors.

1.20 Small and Medium Enterprises (SMEs) make a significant contribution to the local economy, through growth in enterprise and greater social cohesion. Current government policy actively encourages those currently out-of-work and those at risk of redundancy to look into self-employment and starting up a SME. This comes at a time when business support is being stripped back and access to finance is proving challenging. Targeted business support is therefore needed to aid successful business start-ups.

Productivity:

1.21 The West of England exhibits many characteristics that give it a competitive advantage and that are associated with high productivity, and these will need to be utilised to our best advantage; in particular, the relatively high proportion of local employment accounted for by 'knowledge intensive' industries, including high tech manufacturing and creative; the sectoral make-up of the local economy; the scale of the local workforce and the relatively high levels of skill; the indirect impacts associated with recent success with the regeneration of Bristol City Centre as an employment location; and proximity to London. The diverse sectoral economic base makes the West of England more resilient to change and well placed to contribute to UK plc. There is a recognised need for continuing support to high growth (GVA) and volume employment sectors.

Place

A balanced housing supply:

1.22 The West of England has pronounced housing needs as illustrated in the West of England Strategic Housing Market Assessment 2009, high house prices and disadvantaged communities. Sustainable economic growth needs to tackle disadvantage, reduce the inequality gap and provide sufficient housing for the workforce in locations with good access to employment and services. Delivery of sufficient housing supply is vital in order to contribute to meeting need and enabling people to access the housing market.

1.23 There is the opportunity to build upon the West of England's Delivery & Investment Infrastructure Plan (DIIP) to ensure continued investment in delivery of housing, including affordable housing in identified priority locations.

Suitable Employment Land/Sites:

1.24 There is a need to ensure suitable employment land is allocated to meet business need both for industrial and office purposes. Latest emerging assessments by the authorities and the West of England Partnership Office indicate that there is potentially sufficient land for office use, but, in some parts of the West of England, a shortage of appropriate land to meet emerging business requirements for industrial purposes. Consequently there may be a need to safeguard existing industrial areas against pressures to turn sites over to other development uses, as well as identifying potentially new strategic employment sites. Furthermore, there are a number of issues effecting the viability and deliverability of certain strategic sites identified for employment purposes, which may affect their take-up with developers and influence their timely delivery.

Improving the public realm:

1.25 As a whole the West of England provides an attractive environment for people to live, work and visit. However, there are certain areas, particularly in the primary urban areas e.g. South Bristol, Bath City Centre & City Riverside, and Weston-super-Mare Town Centre, which would benefit from the long-term benefits of regeneration projects to improve the public realm. Public spending cuts mean that funding for such projects will be under increasing pressure, and the competition to secure funding from central government is stronger than previously.

Environmental:

1.26 The natural environment and the quality of life it promotes in the West of England is a key asset to the area. A balance is required between maintaining an attractive and diverse natural environment and promoting economic growth, which the authorities need to work together to achieve.

Infrastructure and Accessibility:

1.27 Much of the success of West of England is derived from its good connectivity with other parts of the country, in particular London via the M4 motorway and rail. In addition the West of England Partnership area provides a gateway to the South West, Midlands and South Wales. The authorities are also promoting rail electrification as a means of improving journey times. However, there are substantial people and traffic movements between the major urban areas within West of England which put pressure on the public transport and road network, exacerbated by low levels of historic investment in strategic infrastructure.

1.28 Congestion and accessibility issues (perceived or real) may cause inward investors and existing employers in the West of England to look elsewhere to invest. The authorities need to work together with government to reduce congestion and improve access to the rest of the UK and export markets to maintain the area's competitiveness. The authorities are working together to secure Major Scheme bids and Local Sustainable Transport fund (LSTF) resources from DfT to address these issues. In particular in areas where there are development pressures and high flows of commuter traffic such as between the North Fringe and Weston-super-Mare, Bath City Centre and other areas along the M5.

1.29 Digital connectivity is of rising importance nationally, as it is seen as an enabler of behavioural change to reduce carbon emissions and a critical enabler for sustainable growth. There is therefore a need to increase citizens' access to technology and the web, in particular in rural locations and those neighbourhoods identified as being more disadvantaged. Good broadband connectivity is also essential to businesses in the Knowledge Intensive, Creative and ICT key sectors. There is the opportunity to enter into partnership with providers to provide convenient access to high speed broadband.

1.30 In August 2011 the West of England Authorities secured funding from the Government's Broadband Delivery UK (BDUK) Unit. The West of England Authorities of Bath & North East Somerset, Bristol and South Gloucestershire secured c. £1.4million; North Somerset entered into a bid with Devon, Plymouth, Torbay and Somerset and secured £31million. This funding seeks to bring forward network infrastructure upgrades and to improve the accessibility of services in locations where there is a weak commercial investment case.[2]

Investment & Development:

1.31 The West of England authorities have identified the infrastructure required to realise the potential for sustainable economic growth and provision of employment, and homes. Continued joint working by the authorities to identify and secure sources of investment in infrastructure and major transport schemes will support delivery at priority locations: including the Temple Quarter Enterprise Zone and the Enterprise Areas.

Conclusions

1.32 The West of England is faced with many challenges that need to be addressed to ensure that the area functions competitively at a national and international level.   These challenges are outlined in the SWOT analysis table overleaf.

[2] http://www.culture.gov.uk/images/publications/BDUK-Programme-Delivery-Model-vs1-01.pdf

SWOT Analysis

Strengths	Opportunities
The scale and diversity of the local economy, and the predominance of growing industries.	Continue to support 'anchor businesses' within the West of England as well as SME's.
The regional role of Bristol and accessibility to London and the South East.	Continue to support the five major transport schemes and the electrification of the railway in order to maintain and improve accessibility.
The skilled labour force and prestigious higher education.	Improve linkages between higher education providers and businesses.
Availability of suitable and (relatively) low cost development sites and premises such as the Enterprise Zone and Enterprise Areas	Safeguard employment sites against other development uses, and continued promotion through Inward Investment.
The favourable 'image', attractive environment and good amenities of the West of England.	Promotions of sustainable economic development across the West of England to ensure our cultural and environmental assets are protected and continue to attract investment.
Major airport and port facilities.	Recognise the impact major development at the airport and port can have at meeting the investment and jobs targets identified in the LEP proposal.
International offer of sites such as the Temple Quarter Enterprise Zone and Enterprise Areas.	Develop a successful Enterprise Zone and continue to support and promote other key strategic business locations.
Weaknesses	**Threats**
Raising competitive pressures and the relocation of investment elsewhere if the relative competitiveness of the local economy is not maintained. Competition arising in other parts of the country where Enterprise Zones have been permitted.	Risk of losing key sector industries to other areas for example the movement of TV production to Cardiff has implications on Creative Industries.
Concentrations and intractable problems of low-level skills, economic inactivity and educational attainment amongst some local communities.	Further polarisation between communities, and the financial implications on trying to readdress growing disparities.
Emerging shortages of business sites and premises, capacity constraints on further development at some strategic locations.	Loss of inward investment to areas of competition, potential implications for maintaining anchor businesses and other growing businesses.
Rising congestion within the West of England and on key routes to other regions, and the potential for harm to the environment. In both cases potential to be exacerbated by high levels of growth.	Loss of inward investment to areas of competition, potential implications for maintaining anchor businesses and other growing businesses.
Inadequate regional scale leisure, cultural and sporting facilities.	Loss of inward investment to areas of competition. Implications on reputation as a national and international competitor.
Shortages of housing especially affordable units, exacerbated by high levels of growth.	Potential to exacerbate unsustainable commuting patterns, and cause labour shortages in some localities. May also cause rising house prices, causing issues for those in lower paid service jobs.
High dependence on defence expenditure and public support for aerospace.	Public sector cuts can have negative implications within the West of England, with the sector being substantially reduced in size. This will also have knock on effects throughout the supply chain due to dependencies in public sector procurement for example defence and aerospace.