Gloucestershire Local Economic Assessment: 2011

Executive Summary

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Contents

Executive Summary

This summary presents a brief overview of each chapter comprising the assessment. The key issues section attempts to identify the strengths of the Gloucestershire economy, the inter-relationships that may exist and potential threats that are brought out through the use of SWOT analyses. Areas of future research have been identified where gaps in the data have precluded sufficient analysis.

Overview

2: Geography

Gloucestershire is the northernmost County in the South West region and is divided into six districts all with quite different characteristics. It has been a significant location for commerce since Roman times and located at a cross roads between Wales and London and the West Midlands and the South West it continues to be advantageous as a business location.

Gloucestershire can be described as a vibrant functional economic area. Although the County is strong in Advanced engineering and Financial services sectors, these are balanced by Tourism, the Creative industries and the increasingly important Environmental technologies sector.

Gloucestershire is primarily a rural County. Cheltenham and Gloucester are the key urban settlements and as such act as the main business, commercial, educational, service and cultural centres. They are complemented by a number of market towns which act as employment hubs and as providers of services to resident communities and outlying rural areas.

3: People and Communities

The population of the County has been increasing, largely due to net in-migration which accounted for over 80% of growth. Gloucester district was the only district where the majority of growth has been the result of natural change.

Looking at the movements of various age groups, over the last fifteen years there has been a net inflow of people aged between 30 and 44 yrs and children under 15 yrs, however, during that time the County has also experienced a net outflow of people aged between 15-29 yrs particularly men.

In addition, during this period the population of those older than 65 yrs has seen the greatest increase and this is projected to increase for another twenty five years. In contrast the number of children and young people is expected to decline steadily while the number of working age people will remain fairly static. This picture of an ageing population which is accentuated in the rural districts, is likely to ultimately place increasing pressure on those of working age to support it.

Gloucestershire has an employment base of 272,000 people, some 14% of this number are self-employed which is higher than the national average and male full-time employees comprise 46% of the total employed amounting to 125,000, a number that has been declining over the last four years.

Some 88% of residents in Gloucestershire also work in the County, a situation that has hardly changed since 2001. Nearly twice as many people travel from Gloucestershire to Bristol than make the reverse journey and the picture is the same for Swindon. The County is also an important employer of workers from Worcestershire, half of whom travel to Tewkesbury Borough to work.

There is considerable commuting within Gloucestershire, highlighted by over a third of Tewkesbury's working residents travelling to Cheltenham and Gloucester to work and a comparatively high proportion of Forest of Dean residents travelling to Gloucester to work.

The education system is undergoing massive reform and one of the early outcomes is the conversion of schools to academies. Over half the number of Gloucestershire secondary schools have already become or are about to convert to academy status.

Participation rates in full time education although still lower than the regional and national averages have increased at a faster rate between 2005 and 2007. With higher than national average results at GCSE and A/AS levels and just over a third of working age residents qualified to degree level, the County has a well qualified and highly skilled workforce. However, there is the issue of attracting young qualified people to remain in the County. Also apparent is the number of residents going on to Higher Education has decreased, a situation also reflected in the South West and England.

The occupational structure in the County reflects its high level of qualification and skill base with a higher than average proportion of professional occupations than shown at the regional and national level. Over the last five years employment in the Professional and Skilled occupations has increased while the Sales and Customer service occupations showed the largest decline.

Gloucestershire businesses account for 11% of the total number of skill shortage vacancies in the South West in 2009. Comparison with the rest of the South West sub regions places it at the fourth highest after Devon and Cornwall with similar levels to Swindon and Somerset and just above the regional average of 10%.

The proportion of employers reporting skill gaps in the County increased from 19% to 21% between 2007 and 2009 and the number of staff considered by those employers as not fully proficient also increased by 7,800 over the same period.

In 2009, Gloucestershire compared to the other South West sub regions had at 13%, the highest proportion of staff considered not fully proficient by their employer amounting to 26,800, out of a South West total of 213,000.

Despite being a relatively affluent area there are still pockets of deprivation. These are mainly located in the inner urban areas of Cheltenham and Gloucester and have remained consistent over the last five years.

4: Business and Enterprise

The total number of employees in employment in Gloucestershire amounting to 254,300, decreased by nearly 5% between 2004 and 2008 a situation that has not been reflected in the South West or nationally. Of the three districts with the largest proportion of employees in the County, Gloucester has remained fairly static over the last few years, while Cheltenham experienced decline before starting to recover in 2008 and Stroud has shown an increase.

Employment in the County is predicted to grow by about 2.8% over the next ten years with not unsurprisingly Cheltenham and Gloucester sharing the majority of this growth while the Forest of Dean will experience decline.

Structurally, growth experienced by the Construction and Banking, finance and insurance sectors has been offset by decline in the Manufacturing, Public sector and Distribution sectors

Those core activities or parts of core activities that appear to offer significant growth opportunities for the future, relate to either present good performance or the inevitable demand from burgeoning new technologies. They include the looming nuclear demand and those high-tech manufacturing activities both in aerospace and precision and medical instruments that despite a projected decline in the number of employees in the Advanced engineering sector as a whole, are however, locally strong and have been performing well.

Other growth sectors are the Creative industries in terms of digital media supported by an improved Broadband capability in the County, Environmental technologies relating to the low carbon sector demand and Care activities in response to the needs of an ageing population.

Gloucestershire has a well developed knowledge economy comprising over a fifth of the total number of employees in the County. The knowledge intense services sub sector accounts for the majority of employees mainly in the Other business activities and Hospital activities.

Other business activities comprise a diverse range of services provided by architects, accountants, lawyers, engineers, IT specialists, consultants, technical and Research and Development services etc that function through the sale of expertise and advice and/or information. In order to remain competitive in this aspect of the knowledge economy the potential to further develop, sell and export expertise and/or information will need to be maintained.

The performance of the Gloucestershire economy amounted to £11,500 million in 2007 which contributed some 12% of the South West GVA. Almost a third of the Gloucestershire output was provided by the Business service and finance sector. In terms of productivity Gloucestershire performs well above the regional average.

In 2008 with the addition of 450 new businesses the stock of businesses amounted to about 26,000 in the County. The majority of these businesses employ up to nine people. The County has a comparatively good business survival rate with 94% businesses surviving after one year and 50% after five years. Gloucestershire's entrepreneurial strength is also evident from the level of small business creation and growth.

Both entrepreneurial and innovative business strengths are well represented in Gloucestershire by a number of companies including GE Aviation, Messier-Bugatti-Dowty, Renishaw, Ageas Insurance, Bottlegreen Drinks Co, Watts Group, Supergroup and Green Fuels to name a few.

5: Functional Economic Market Areas

Gloucestershire is a functional economic market area with two urban centres that despite their proximity to each other have developed their own unique characteristics. The County has been influenced by the route of the M5 which has enabled easy access to work, amenities and leisure which is reflected in the associated commuter belt extending beyond the County border. However, Gloucestershire, is self-contained in terms of travel to work with some 88% of the resident population living and working in the County.

Gloucestershire can be described in terms of four characteristics based on a multivariate analysis of the County. A rural aspect with associated pockets of retirement areas and attractive rural settlements, two urban clusters, namely Cheltenham and Gloucester with the associated inner city deprivation and low skills neighbourhoods. The north east south west commuter belt following the path of the M5 and an area in the west of the County with a mix of deprivation and low skill neighbourhoods alongside commuter belt and retirement and resort areas.

Gloucestershire is one of thirty eight areas in England to have fulfilled the economic and travel to work criteria to attain Local Enterprise Partnership (LEP) status. LEPs have replaced the Regional Development Agencies and aim to act as joint local authority-business bodies working to promote local economic development and growth.

In Gloucestershire the strategic transport corridors, the M5 and the M4 along with the sector activities; advanced engineering, finance and business services, defence, tourism, food and drink and rural issues has created the opportunity for developing existing and building new links with other LEPs that are sited in the West Midlands and Birmingham to the north, Bristol to the south and the Thames valley and London and the South East.

6: Sustainable Economic Growth

Gloucestershire has a well-developed strategic road network with the M5 running north-south through the County providing good links to Birmingham and the North, Bristol and the South West and links to the M4 corridor to London and South Wales.

As a rural County there is a high dependency on road transport and high levels of car ownership particularly in the four rural districts. The main form of public transport across the County is the bus and sustaining frequent services particularly across the rural areas of the County is challenging and expensive. The consequences of the budget cuts on the council-run bus services (which are currently under review) are not yet known.

There are nine rail stations in the County and four different train operating companies offering services. The recent news that the DfT will fund the redoubling of the line between Swindon and Kemble will increase the capacity of the railway linking Gloucestershire with Swindon, London and the South East in the future.

Several major airports are within easy reach for Gloucestershire residents and businesses including Bristol, Cardiff, Birmingham and London Heathrow which is approx 2 hours by car from the centre of Gloucester.

Apart from Gloucester all the parliamentary constituencies in Gloucestershire have a higher proportion of the population living in areas with low internet speeds than nationally. The problem is particularly pronounced in the Forest of Dean. To that end the County has successfully bid in conjunction with Herefordshire to become one of four pilots developing a new technological solution to the provision of next generation access broadband across the rural areas of southern Herefordshire and the Forest of Dean. This will form the first phase of the wider roll out of superfast broadband infrastructure to Gloucestershire and Herefordshire.

In January 2011 there were 388 renewable electricity projects and 670 renewable heat projects in Gloucestershire accounting for 8.5% and 16% of the South West's electricity and heat capacity respectively. The majority of renewable energy capacity is generated by landfill gas projects and heat capacity by biomass.

In 2009/10 some 61% of Gloucestershire's municipal waste was sent to landfill which although significantly higher than the regional and national averages has improved from 66% in 2006/07. There has been a corresponding improvement in the proportion of waste being recycled, reused or composted across all districts with Gloucester and Cotswold districts showing the greatest increase.

Gloucestershire has a high quality natural and historic environment which attracts people to the area to both live and work and is attractive for leisure and tourism. The floods of 2007 had a devastating impact on the County in terms of disruption to households, business, utilities, and services and left a legacy of substantial cost in terms of clean up costs and damage to infrastructure.

The drive towards reducing the amount of greenhouse gases produced and moving towards a Low Carbon economy offers opportunities for using technology which has a lower impact on the environment and provides cost saving or other efficiencies.

In 2010 there were an estimated 268,680 dwellings in Gloucestershire. Some 66% of the housing stock is made up of detached and semi-detached properties. Between 2006 and 2010 around 2,500 additional affordable homes were provided in the County. Household numbers are projected to increase by 9% to 282,800 by 2020.
In 2008 the total floor space relating to retail, office, factory and warehouse premises in Gloucestershire was about 6.5 million square metres accounting for around 16,000 premises. Some 65% of this floor space was taken up by factory and warehouse premises.

Key Issues

The Gloucestershire economy has many key strengths including a good infrastructure and outstanding environment that has attracted both international and innovative business creating a diverse range of industrial activities utilising a relatively highly skilled workforce that is able to live and work in prosperous and beautiful surroundings.

However, in order to retain these assets the County will need to not only maintain its competitiveness but also prepare for future change and possible threats to its economy especially in light of the recent change of government and the ensuing massive legislative changes.

One inevitable challenge is the issue of an ageing population, although a national problem, it is exacerbated in Gloucestershire not only by the attraction of a pleasant environment that brings older people back to the County to work and retire, but also the continuing trend of young people leaving the County.

In terms of the workforce, this loss of a potentially well educated resource reflected by the higher than average success rates at GCSE and A level will, in time create a dearth in the supply of young people. This may be partly offset by older workers staying in work longer as a result of legislative changes in relation to working age and pensions but ultimately, an increasingly top heavy structure that may inevitably lead to an increase in those skills shortages/gaps that are being identified now.

Part of the exodus of young people from the County may be the result of it's own success in that the young qualified can't work and live here while there is no suitable housing or transport available at a price they can afford. This is accentuated in the rural areas where the number of people of child-bearing age are declining.

The decline in the number of Gloucestershire residents entering Higher Education may reflect the affect of rising costs of Higher Education, however, the growth in the availability of accredited training in the workplace through Apprenticeships could influence young people to not only stay in the County but lead to enhancement of the skills set of the workforce.

The polarity effect of an increase in the working age population residing in the urban districts of Cheltenham and Gloucester while the surrounding rural districts experienced a decline has resulted in a complex commuting pattern between the rural and urban districts of the County that possibly reflects the evidence supporting an increase in the number of employees in rural areas and associated decline in urban areas.

Executive Summary

Although evidence points to a relatively highly skilled workforce in the County there are still skill shortage/gap issues. With areas of the private sector expanding after the recession, the effects of the welfare reforms and the public sector cuts, a balance between retaining a supply of knowledge workers to evolving high tech industries and knowledge intense services as well as supporting existing industries will need to be maintained and may involve a considerable degree of re-skilling/training to meet demand.

The fact that the majority of Gloucestershire's working residents commute to work within the County reflects the extent to which the demands of a skilled workforce are being met by companies/agencies within the County. This situation however, could be influenced by in-commuting from large urban areas outside the County where there may be more working age people than available/suitable jobs in those areas.

Relatively short commuting distances within the County may not only have contributed to its resilience during the recession but may also reduce the effect of rising petrol price increases and subsequent transport cuts. However, maintaining an efficient infrastructure could be threatened by congestion issues, the ensuing funding cuts on transport and the outcome of the bus review.

The Manufacturing, Banking, finance and insurance and Distribution including hotels and restaurants sectors offer a diverse range of industrial activity that accounts for over half of Gloucestershire's employees. Manufacturing, although a strong sector in Gloucestershire, particularly in relation to Advanced engineering, has experienced decline which is predicted to continue. This reflects a vulnerability that is inevitably partly influenced by supply and partly by export markets that react to changes in global economies.

The Finance banking and insurance sector is also well represented in Gloucestershire, however, the siting of a number of head offices and high street offices in the County although reflecting this favourable location also creates a vulnerability that was exposed in relation to the recession when the sector was affected by large scale restructuring and associated job loss.

The Public sector accounts for nearly a third of employees whose numbers have decreased over the last few years in Gloucestershire. With the ensuing cuts and changes in legislation the sector faces radical change. With shifting responsibilities and refocusing of activities there will inevitably be a transition phase whereby private and voluntary sector business/agencies may fulfil many of the services previously undertaken by the Public sector. How long this will take, the degree of disruption and the shift in workforce skills requirement provides perhaps an opportunity for the County's businesses/agencies to respond favourably.

Growth sectors can be described as those core activities or parts of core activities that appear to offer significant growth opportunities for the future and based on either present good performance or the inevitable demand from burgeoning new technologies. They include the looming nuclear demand and those high-tech manufacturing activities both in aerospace and precision and medical instruments that despite a projected decline in the number of employees in the Advanced engineering sector as a whole, are however, locally strong and have been performing well.

Other growth sectors include the Creative industries in terms of digital media supported by an improved Broadband capability in the County, Environmental technologies with potential relating to aspects of the renewable, waste management and low carbon sectors of the economy and Care activities in response to the needs of an ageing population and also the predicted health issues facing the future working population.

There is also pressure to remain competitive in the Business service aspect of the knowledge economy that will create the potential to further develop, sell and export expertise and/or information.

With an increasing number of households, the rising costs of recycling, composting and disposing of waste, the reducing landfill space and limited facilities to divert waste away from landfill, provide a number of challenges to Gloucestershire's future waste disposal. However, it is hoped that the proposed residual waste project at Javelin Park subject to planning permission may alleviate some of the pressure.

Gloucestershire has been awarded for its efforts towards reducing its carbon emissions which although exemplary may lead to some costly changes that could threaten businesses.

The Localism Bill has created a vacuum in the planning system with local authorities now having to make decisions on how they report on their housing requirements and similarly employment land availability. A positive move in Gloucestershire has been the co-operation between the County and district authorities in addressing the situation resulting in a consistent approach to this planning issue. This area of work is at an early stage and only time will tell if the associated parties are successful in producing consistent outcomes. Additionally, land/property assets that were owned by the South West Regional Development Agency have been made available to agencies within the County (e.g. areas of Gloucester docks).

A balance between maintaining an infrastructure to serve new housing and employment land expansion will need to be balanced against the protection of the green belt.

The Gloucestershire economy therefore, although possessing many strengths will inevitably need to address an array of future challenges as described. However, the effective strategy supported by relevant evidence, produced as a result of the long standing co-operation between the public and private sector through the Gloucestershire First partnership has now been strengthened with the recent creation of the Gloucestershire Local Enterprise Partnership (LEP) which now puts the County in a very strong position to address those economic challenges.

Future research

- What will be the characteristics of our future workforce
- Skills issues facing the County - utilising links with businesses to carry out primary research in the form of surveys, interviews with sector representatives
- Monitoring of global issues that may affect the economy
- Resilience - better understanding of how the Gloucestershire economy responds to shocks (eg floods, stock market collapses etc)
- How supply chains work within and across all sectors and beyond the County boundary
- Analysis of particular sectors: care, food and drink niche markets etc
- Better alignment on housing data and policy development. This can be an area of intense local scrutiny and there is a significant and complex suite of datasets provided by a range of different agencies national & local, with vested interests. It would be useful if this could be better marshalled to core output indicators more focused on *'identifying and meeting local need'*. Locally orientated data from district housing enabling and district local planning – *SHMA, SHLAA, Econometric Affordability Modelling etc..* might be useful to start with.
- HE provision within the County and changes in demand
- Consistent record of employment land present and future
- Development opportunities and social issues as a result of Big Community
- Monitoring/measuring the conversion to low carbon economy - possibly through a combination of data on progress with non-carbon energy infrastructure (such as new installations, energy (MW) outputs, % of local energy outputs and use) and other related activities such as progress on electric cars and associated infrastructure (annual car sales, % of local ownership and development of local charging point network) etc
- Effects of Public sector cuts

Executive Summary

Strengths	Weaknesses
• High economic activity rates • Low unemployment rates • High level of self-employment at 14% • Eighty eight percent of those that reside in the County also work in the County. • NVQ3 and NVQ4 levels higher than SW and national average • High value knowledge base • All GCSE success rates are above the national average. • General and Applied A/AS or equivalent level success rate in Gloucestershire is higher than the national average, ie not only more subjects but also better grades • Skilled labour force especially at managerial, professional and technical level • Manufacturing, Banking, finance and insurance services, Distribution and tourism sectors represent a diverse economic structure • Gloucestershire has a strong Manufacturing sector and is particularly strong in Advanced engineering • Presence of international and innovative companies • Relatively high productivity • Gloucestershire has a well developed road and rail network that provides good links to areas outside the County • Several major airports are easily accessible from Gloucestershire including Bristol, Birmingham, Cardiff and London Heathrow • Gloucestershire has a high quality landscape and a number of important cultural sites. These are important assets to the County's economy. • Gloucestershire became the first area to be awarded '10:10 County' status, as part of the international campaign to encourage organisations to reduce their carbon emissions (excluding schools) by at least 3% during 2010/11	• Ageing population • Young people (15-29 yrs olds) leaving the County • Number of people from Gloucestershire going into Higher Education decreased • Further Education success rate has declined while SW and GB success rates have increased • Gloucestershire businesses account for 11% of total number of skill shortage vacancies in the SW. It is placed 4th highest in the SW and above the regional average • Over a fifth of employers reported a skills gap in 2009 • In 2009, Gloucestershire compared to the other South West sub regions had at 13%, the highest proportion of staff considered not fully proficient by their employer amounting to 26,800, out of a South West total of 213,000. • High level of commuting between districts, Gloucester, Stroud and Tewkesbury. One way from Forest of Dean to Gloucester. • Same pockets of deprivation after 5yrs • The total number of employees has been declining • Employment in Tourism and the Public Sector has declined in Gloucestershire, whilst increasing in the South West and Great Britain • Agriculture has declined at a faster rate in Gloucestershire, than in the South West and England • Congestion is a problem in many parts of the County, including; A417/Birdlip/Nettleton Bottom/Air Balloon, Tewkesbury road to M5, A40 west of Severn and between Gloucester and Cheltenham, town and city centres of Cheltenham and Gloucester • Residents in rural areas may have difficulties accessing key services using public transport • High dependency on the car • Broadband speeds are currently inadequate in many areas • The County sends a high proportion of its municipal waste to landfill, conversely rates of recycling, incineration and other methods of waste disposal are low • House prices are relatively high which may make it difficult for first time buyers to get on the property market

Opportunities	Threats
• Gloucestershire is an important employer of workers from Worcestershire, half of whom travel to Tewkesbury Borough • Many of Gloucestershire's secondary and primary schools have converted or are awaiting conversion to academy status • The rate of growth of Apprenticeship achievements in Gloucestershire between 2005/06 and 2009/10 was 65% compared to 95% regionally • Gloucestershire's population structure means the Care sector is likely to experience considerable growth • Significant growth opportunities within: Nuclear; High tech manufacturing; Environmental technologies and Creative industries • Private and voluntary sector replacing some Public sector activities • Improvement in transport infrastructure including the approved Kemble - Swindon redoubling will further improve Gloucestershire's accessibility • Waterway network, Sharpness docks • Improvements in the broadband infrastructure may create new opportunities for businesses • Residual Waste Project (Javelin Park) • The transition to a low carbon economy may present considerable opportunities for business development within the Gloucestershire economy, particularly for the Manufacturing and Environmental technologies sectors • Projected household numbers for Gloucestershire are expected to increase by 9% from 258,900 in 2009 to 282,800 in 2020 • Joined up approach to employment and housing land and workspace planning and delivery	• Young people can work here but can't afford to live here • Polarisation of working age people to urban areas • The anticipated public sector cuts may result in substantial job losses within the sector and have knock on effects on other sectors • The Manufacturing sector has been declining, Gloucestershire's strength in this sector would make it particular vulnerable to further declines • Current economic climate may impact on levels of affordable homes • Oil prices • Funding for transport is likely to reduce over the coming years, which will effect future developments in Gloucestershire's transport infrastructure • The implications of the bus review • The impact of climate change on the County may be significant. Modelling suggests there will be drier hotter summers, wetter winters, more intense rainfall and increased risk of more extreme weather events • Need to reduce greenhouse gas emissions, resource consumption and the amount of waste sent to landfill • Projected household numbers for Gloucestershire are expected to increase by 9% from 258,900 in 2009 to 282,800 in 2020