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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 12 SEPTEMBER 2012

I am now able to enclose, for consideration at the Overview and Scrutiny Board to be held on Wednesday, 12 September 2012, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
5.	Economic Regeneration	(Pages 9 - 25)

Yours sincerely

Kate Spencer
Overview and Scrutiny Lead

Agenda Item 5

Economic Regeneration – Briefing Note

1. Over the past eighteen months there has been significant positive movement on the economic regeneration of Torbay with the award of funding to the South Devon Link Road presenting the opportunity of improved access, productivity and attracting new investment for the area.
2. The briefing note indicates below the context for the development of the local economy, the strategy which is being pursued, the activity which is currently being implemented or planned and what will come forward over the next several months.

Economic context

3. The local economy continues to struggle because of its long term decline and the mix of sectors which are dominant, wage rates, productivity, the number of full time jobs are all indicators of concern as confirmed by childhood poverty figures however there are positive trends being seen on wage rates, on business start ups, on skill levels and on unemployment.
4. The population of Torbay is now 134,300, with over half of residents aged 45 or older. A recent report on the Torbay economy highlights that only 46% of the population make up the labour force, compared to a national average of 54%. This highlights the impact the demography of the Bay has on the economy in terms of productivity and on the demand for services such as healthcare.
5. The demography of the Bay has a number of economic policy implications. The ageing population emphasises that there is a need to retain young and entrepreneurial talent by developing more opportunities for business and young people and ensuring that the area is an attractive place to locate to. There are also opportunities to capitalise on opportunities through links with the hospital and the development of services which can be replicated elsewhere as the rest of the UK population begins to mirror that of Torbay.
6. The largely urban nature of the Council area brings with it a number of the deprivation issues usually associated with big cities but because the population is spread over three towns rather than one city, facilities which are also associated with large urban areas are not so well developed. An example of this is superfast broadband, where although some areas of the Bay are relatively well served through cable, others miss out. There is work to be done on stimulating demand, particularly within the business and older resident communities to ensure Torbay does not get left behind.

7. Skill levels within Torbay continue to improve at most qualification levels. This improving picture is testament to the work which has been done in this area by a number of partners. However the number of working age residents qualified to NVQ level 3 and 4 remains below the regional and national average, as the economy develops and higher skills are required this will need to be addressed if the economy is to grow.
8. While school attainment is good, this consistently lower proportion of working age residents qualified to the highest level could be due, in part, to a lack of graduate roles within the Bay. Talented young people do not see opportunities within the Bay so choose to move away, not returning until later life. By developing some of the key sectors set out above and working with businesses to highlight graduate roles this is a trend which can hopefully be reversed. A Torbay “milk round” drawing together those businesses offering graduate roles and working with universities is currently being explored.
9. To upskill existing employees links with higher education institutions also need to be furthered. Developing the right kind of courses for the jobs available within Torbay, for example within the hi-tech and manufacturing sectors, will ensure a trained workforce is available locally and does not need to be recruited from elsewhere. The Hi Tech and Manufacturing Forum’s noted below are working with the TDA and education partners to ensure that the skills requirements of these sectors are properly understood and responded to.
10. There is also a need to ensure training is available locally in more specialist sectors such as fish processing, adding value to the Brixham catch by ensuring it is prepared in Torbay rather than transported to other parts of the country.
11. This context demonstrates that Torbay faces a number of economic challenges locally while the national and global economies continue to recover from the global recession. There are positive signs, and the South Devon Link Road will hopefully act as a stimulus for change, however there is still much to be done. Investment in infrastructure, both physical and digital are needed to ensure businesses are confident there is a thriving economy at the end of the new road.
12. It is important for Torbay to focus on its traditional strengths while also seeking to encourage general business growth and the creation of job opportunities in the private sector.

Economic Strategy

13. The economic strategy currently being delivered was prepared for the Council in December 2010. The Mayor has requested that this strategy be revised and the programme is for the strategy to be brought to Council for consideration at its December meeting and the TDA, who will be carrying out the work, will meet with Councillors over the coming month to set out the evidence base and the issues in more detail. The current programme for the revision of the economic strategy is set out below;

Action	By
Review and refresh of economic evidence base	Complete
Review actions of the 2010 economic strategy	10/09/12
Analysis of evidence base and preparation of assumptions / outline of revised strategy	21/09/12
Presentation of analysis & outline to political groups, business community and other stakeholders	12/10/12
Draft strategy for comment	31/10/12
Finalise the draft for Council	23/11/12
Strategy to Council	06/12/12

14. The strategy will concentrate on job creation in the short and long term. The likely key objectives, subject to the consultation above, are;
- To increase productivity
 - To reduce business failure rates
 - To increase full time employment, reduce unemployment and the benefit cost in Torbay
 - To increase investment in Torbay
15. The work carried out to date suggests that the revised strategy will have a core aim of job growth right across the economy of the area, recognising that we have certain strengths such as tourism, and in particular focus on encouraging the establishment of new businesses. It will identify employment sites that will be brought forward in the short term in support of the strategy objectives.
16. On the basis of the analysis that has been carried out to date the strategy will likely approach the economy on the basis of thematic actions rather than activity which is specific to individual towns or areas. However there is an absolute recognition that there are differences within Torbay and, where appropriate, these will be identified and relevant actions included, for instance, in recognition of the strong view from Brixham on the development of the town's economy around the marine economy. Themes might include those set out below;

- Regenerating the area sympathetically by building on its natural and human assets
 - Enhancing the tourism offer to ensure that the destination reduces seasonal tourism and generates growth
 - Exploit Torbay's business growth rates and increase business growth rates
 - Increasing the demand for higher level skills by working with existing electronics, advanced engineering, creative and other knowledge based sectors to help them grow.
 - Improving connectivity to wider markets by capitalising on the SDLR and stimulating the demand for higher speed broadband.
17. It is likely that there will be a focus on the engagement of young people in the economy and in particular looking at how schools and the local business community can be better connected. Activities which may be taken forward here will include the development of a 'business speakers pool' for schools so years 9-11 in particular can hear from local businesses about the opportunities that are available.
18. The strategy will be implemented through a range of organisations. The Council will be the custodian of the strategy and will be required to enable and support different actions. In doing this there will be challenges particularly with regard to discrepancy in the resources that are likely to be available in support of the implementation of the strategy and what would be required to accelerate economic growth. To that end the Council continues to work with partners including the Heart of the SW enterprise partnership and government to make the case for a sustained programme of investment in the Torbay economy either through the future EU funding programmes or through a deal directly with the national government.
19. Emerging actions that may be included in the revised strategy include;
- The scoping, development and delivery of a Key Sector Skills Development Programme involving working with the secondary schools and business leaders to ensure education matches opportunity;
 - Attracting and Retaining Higher Level Skills - A co-ordinated programme of activity to complement the above, ensuring progression and a consistent approach;
 - A 'Training Hotel' delivering customer service skills for the tourism sector
 - Support for Start Up Businesses and Social Enterprises
 - The development and build of a Fish Processing Park supporting Brixham's fishing industry;
 - Support for the speculative development of high quality B1 and B2 employment space in particular to complement the South Devon

Link Road opening in 2015. It is estimated that a minimum of 25,000 sqm of B1 and B2 space is required to cater for growing local businesses and inward investment opportunities;

- A virtual Electronics & Photonics Technology Innovation Centre and building on the South Devon cluster in this sector where there is a wish to explore smart specialisation with Business, Innovation and Skills (BIS) and the Technology Strategy Board;
- The design, development and delivery in partnership with regional HE Institutions of a Torbay Knowledge Access Programme to improve access to early stage research and development, proof of concept and applied research;
- The delivery of a Broadband Demand Stimulation and ICT Adoption Programme;
- Dedicated UK Traded Investment (UKTI) resource to be located in Torbay for 2 days per week to work alongside the Council's economic development company, Torbay Development Agency, in developing awareness of the support for exporting businesses and increasing the numbers of Torbay businesses in this category.
- Additional support for improving the key road link within Torbay, the Torbay Ring Road which forms the spine along which the bulk of Torbay's employment land is forecast to be delivered.

20. The above projects are likely to cost in excess of £25 million and given that the list is neither exhaustive or complete it sets out that the need for sustained investment and support from government or Europe to ensure that the opportunity created by the South Devon Link Road are enhanced.

21. Specific activities that have progressed since May 2011;

- Secured funding for the South Devon Link Road – with the potential to be the most significant investment for Torbay the Road is forecast to create around 3,000 new jobs as a result of the improved access and productivity that will be created. The Link Road encourages closer working between Teignbridge and Torbay and has been a key discussion point in meetings between the two Councils. Preparing for and capitalising on the Link Road will be an area of focus in the short term and in particular the identification of sites that are suitable for business development.
- The draft new Local Plan, in which Members have been heavily engaged, captures the administrations focus on and ambition for jobs and economic prosperity, as well as reflecting the Economic Strategy for, and economic context of, the Bay. Economic recovery and success is a 'golden thread' running through the new plan, alongside recognition of the value of the environment as an economic driver. The Plan sets out an ambition for 750 new jobs per annum; support for new

and existing sectors in the Bay; the need for new / improved infrastructure, including high capacity broadband; it reinforces the value of town centres as a desirable business destination; it supports skills development and education to meet business needs. In addition to town centres, it identifies locations for significant new employment space, including Torquay Gateway and West Paignton. Importantly, it requires the provision of 1.5 jobs per new home on major development sites – with employment space provided on site or financial contributions to employment initiatives in the Bay. This compliments the Economic Strategy and will enable early delivery of employment space and jobs. This approach is understood by and has the broad support of Neighbourhood Planning Fora and the business community. The Local Plan, coupled with additional detail (e.g. of local employment initiatives) in neighbourhood plans, provides a strong planning platform for growth and success.

- The Council continues to support delivery of the EU Competitiveness programme in Torbay focusing on the most deprived wards in Torbay. This is principally delivered through Outset Torbay and their activity has resulted in over 500 people supported and nearly 100 new businesses started, many in the most disadvantaged parts of Torbay. The TDA is also working with Jobcentre Plus on delivery of the New Enterprise Allowance programme in Torbay which has supported another 70 individuals in considering starting businesses with 9 people now having been trading for over 6 months.
- The Mayor has instituted regular meetings with local banks to understand the local lending market, the trends and business confidence. One of the outcomes here will be an initiative with the TDA and a number of lenders and finance sources on access to finance in Torbay. This is part of the approach to encourage job growth and sustain local businesses, the TDA will be expanding this with the recruitment of a business adviser in recognition of the gap in advice services particularly for young and growing businesses. The TDA is also working with UK Trade & Investment and the Devon International Trade Forum to increase Torbay businesses readiness to export.
- The Torbay Manufacturing Group has been established and has now met twice in order to understand the position of the manufacturing sector in Torbay and the issues it faces in growing locally. This complements the Hi Tech Forum which has been established for 18 months and outcomes from that forum include the Manufacturing, Technology and Innovation event held in October 2011 and the second event in October 2012. The forum has also established the support that the sector needs to grow locally including support from the TDA in

selling the benefits of living and working locally when they recruit, improving local supply chains and developing the skills base.

- The White Rock Business Park has now been given conditional planning consent for the scheme that will create around 300,000 square feet of space for a variety of businesses and is forecast to create around 1,200 new jobs. This scheme is an example of where the Council has been pragmatic in working with the developer to bring the site forward.
- The Riviera Centre has been boosted by the proposed investment in its essential plant and machinery which provides certainty to the conference booking market and to existing leisure users about the centre's longevity.
- The Palm Court development has progressed with a developer engaged and planning consent now in place for the scheme.
- Other physical regeneration projects which continue to progress include the development at Oldway and the proposed development adjacent to the Pavilion in Torquay which will create an anticipated 240 new jobs while the Brixham Regeneration programme has continued with the opening of the new restaurant and the exploration of a repair facility for the port.
- Innovation Centre Phase 3 – The Council has supported the TDA in the development of the Phase 3 Centre which will be located at White Rock. Offering an expected 30,000 square feet of space the centre will create over 200 new jobs supporting the business start up work noted above and providing high quality space for sectors with the potential for growth including electronics, photonics and healthcare.
- In addition the TDA continues to manage three successful Innovation Centres at Lymington Road, Vantage Point and Cockington, alongside space at Ivybridge:
 - 74 companies across 96 offices and wet space studio units
 - 103 new jobs created
 - £3m turnover growth in last year
- The Council continues to support the nascent Heart of the South West Partnership. Established following the 2010 General Election the Partnership covers Devon and Somerset and brings together the private and public sectors with the aim of creating more sustainable jobs. The LEP business plan sets out its four objectives:
 - Drive productivity and enterprise

- Attract new business and investment
 - Maximise employment opportunities
 - Promote infrastructure to connect with markets
- The Events Forum has met on several occasions to oversee the allocation of the funds approved for events marketing and inward investment activity. Some of the activity supported to date includes the Babbacombe Festival, Jubilee Celebrations the Halfords Cycling Series, the Easter Rugby Festival alongside awareness raising campaigns for tourism and inward investment.
 - The proposed harbour extension project for Torquay is in support of Torbay's marine economy and its potential for future development has progressed with the evolution of initial plans to a proposal which would complement other investment around the Harbour area. The outcomes expected from this project include securing growth and job creation through supporting the key marine and tourism sectors. Attracting inward private sector and indigenous investment which are crucial to encouraging growth and higher paid quality jobs
 - Marine economy action plan – This plan has assessed the potential for development of the marine economy in Torbay and specifically how to respond to opportunities. The report highlighted a range of opportunities for development of the marine economy in Torbay and identifies the key actions needed to take those opportunities. These include around marine engineering, marine leisure and tourism, marine infrastructure.
 - Work & Skills plan – Recognising that there are different support requirements for individuals and businesses in the economy this plan sets out the key employment and skills issues that affect the local economy and seeks to ensure that business owners are ready for growth and that individuals can benefit from growth i.e. by;
 - a. Improving young people's understanding of and aspirations for work;
 - b. Supporting the development of generic employability skills;
 - c. Increasing the supply of Apprenticeships;
 - d. Provide holistic IAG to address Raising Participation Age and increase number of young people taking up Apprenticeships;
 - e. Tackling worklessness;
 - f. Improving skills in the social care sector;
 - g. Promoting retention and use of young peoples' skills;
 - Marketing of Torbay – supporting awareness raising campaigns for tourism and inward investment

- Inward investment strategy – The TDA delivers the inward investment strategy for Torbay and over the past year there have been
 - Over 100 property enquiries
 - 50 inward investment enquiries
 - 3 relocations
 - 89 new jobs
 - To support the inward investment strategy ambassador and soft landing programmes have now been launched so the local business community is now supporting the delivery of the programme by getting positive messages out about Torbay and helping new inward investors enter Torbay.

Appendix - Summary of economic indicators

GVA

The annual release of the Gross Value Added (GVA) data each year is an important indicator of how the regional and sub-regional economy has been performing. Figures released at the end of 2011 highlight the challenges faced by the Torbay economy. GVA per head levels in the Bay are the lowest in the South West and the 8th lowest in England.

GVA per head

	2005	2006	2007	2008	2009
Torbay	11 917	12 598	13 109	13 239	12 777
South West	16 731	17 576	18 383	18 606	18 184
England	18 678	19 642	20 649	20 962	20 498

Source: ONS

The impact of the economic downturn is clear in the latest figures, as the average GVA figures for the South West, England and Torbay were all below the 2008 totals. Of concern is the fact Torbay's GVA fell at the fastest rate in the region, 3.5% year on year, compared to 2.2% and 2.3% respectively.

Gross Domestic Household Income

GDHI is a residence based indicator, representing the amount of money available to households after taxes, National Insurance and property costs (including interest payments) have been deducted.

GDDI per head

	2005	2006	2007	2008	2009
Torbay	11 886	12 285	12 359	12 878	13 457
South West	13 507	13 989	14 235	14 736	15 140
England	13 784	14 289	14 650	15 165	15 545

Source: ONS

Between 2008/09 Torbay's GDDI increased by 4.5% year on year, the fastest growth rate in the SW region, and well above the UK (2.5%) and SW (2.7%) average. The Bay is ranked 32nd lowest in England in terms of GDHI, significantly above the 8th place for GVA.

In 2009 Torbay's GDHI was 87% of the English average, compared to GVA of 62%. This suggests that the Bay is relatively better off on measures of disposable income than measures of gross output or income. This could be because households locally benefit from the redistributive effects of pensions, taxes and benefits not reflected in the GVA productivity measure.

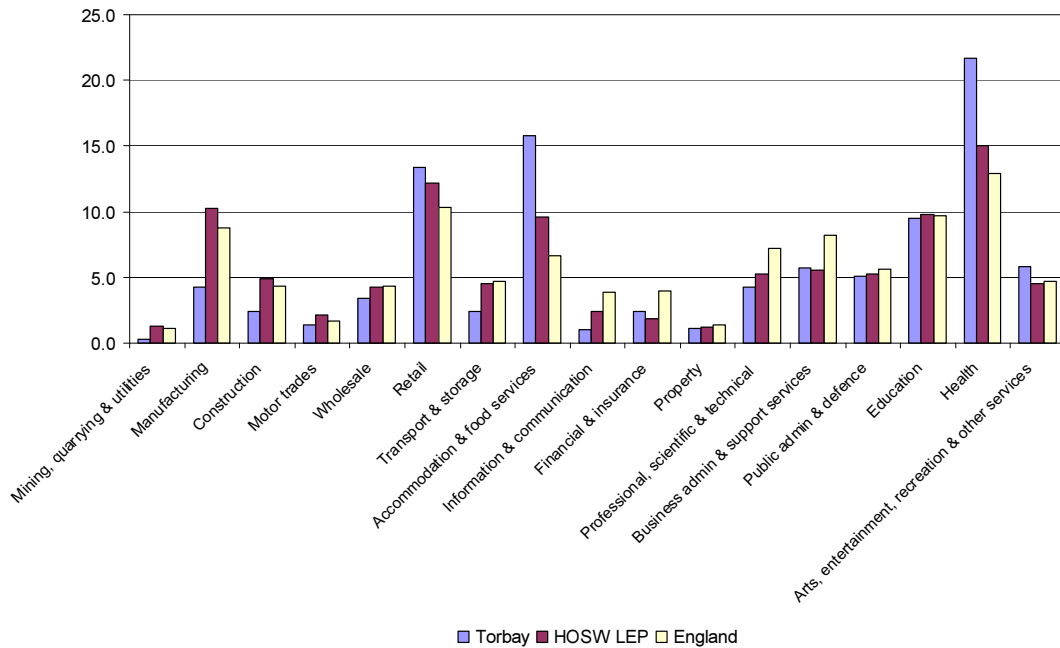
Sectoral breakdown

The Torbay economy has a number of dominant industries, the majority of which are in the public and tourism sectors, particularly health, accommodation and retail. 55% of

Torbay's GVA comes from the public admin, education & health sector and distribution, transport, accommodation & food and a similar proportion of the population are employed in these sectors.

As shown below employment in manufacturing, construction, transport & storage, information & communication, professional and business support services is below the national average.

Sectoral breakdown by broad industrial groups – 2010



Source: BRES 2010

Between 2009 and 2009 the percentage of people employed in both the manufacturing and construction sectors dropped by around 1.5%, more than the English average of 0.4%. there were also drops in the number employed in education and health, perhaps not surprising given these figures are likely to reflect the start of the public sector squeeze.

Sector	2009	2010	% change 2009-10
Mining, quarrying & utilities	0.4%	0.3%	-0.1%
Manufacturing	5.6%	4.2%	-1.4%
Construction	3.9%	2.4%	-1.5%
Motor trades	1.4%	1.4%	0.0%
Wholesale	3.1%	3.4%	0.3%
Retail	13.6%	13.4%	-0.2%
Transport & storage (inc postal)	2.5%	2.4%	-0.1%
Accommodation & food services	15.0%	15.8%	0.8%
Information & communication	0.9%	1.0%	0.1%
Financial & insurance	1.4%	2.4%	1.0%
Property	1.2%	1.1%	-0.1%

Professional, scientific & technical	3.7%	4.2%	0.5%
Business administration & support services	5.1%	5.7%	0.6%
Public administration & defence	4.7%	5.1%	0.4%
Education	10.4%	9.5%	-0.9%
Health	22.4%	21.7%	-0.7%
Arts, entertainment, recreation & other services	4.8%	5.8%	1.0%

Source: BRES 2010

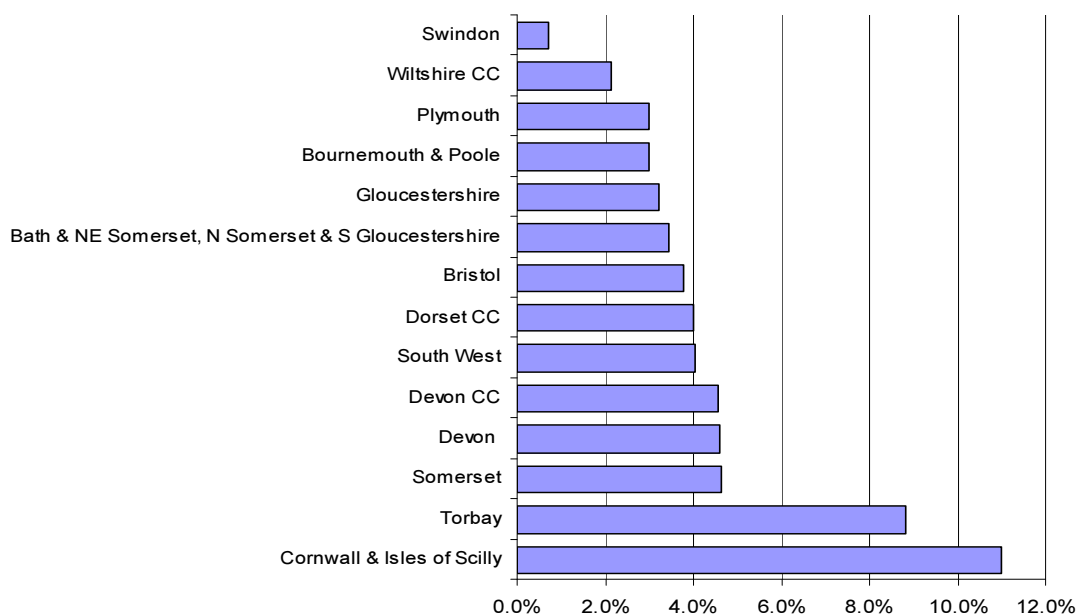
The arts, financial & insurance and accommodation & food services sectors all grew, whereas across the country these stayed fairly static. These are predominately tourism related industries, suggesting that this sector is still dominant within the Bay.

Sectoral reliance

Given the reliance of the Torbay economy on the tourism and public sectors, the impact of these is examined in more detail below. In 2008 the estimated tourism expenditure in Torbay was £383m, the majority of which came from domestic overnight and day visitors. On the supply side the estimated GVA value which can be directly attributed to tourism industries in the same year was £151m. One way of demonstrating the importance of tourism to specific areas is by creating a 'tourism ratio'. This is worked out by dividing the total demand (expenditure) by the total supply. The ratio represents a good measure of the economic importance of the tourism sector within regions, as it shows the relationship between tourism demand and supply, in other words the importance of tourism expenditure in driving output in these areas.

The higher the percentage of the tourism ratio is, the more important tourism is to the local economy. With a ratio of 8.8% Torbay has the second highest ratio in the South West, more than double the regional average of 4.1% and highlighting the importance of this sector to the Bay.

Tourism Ratio



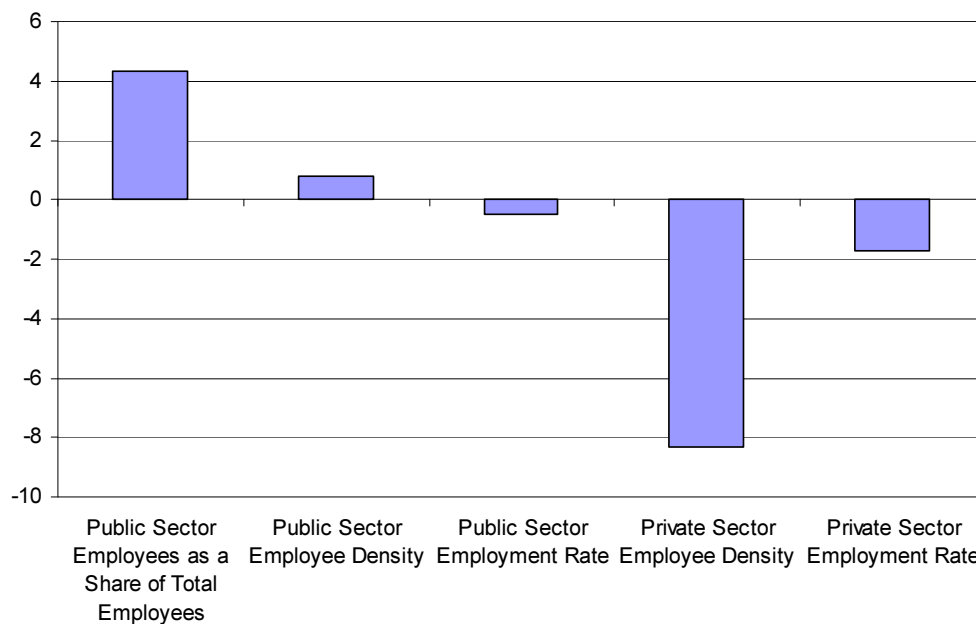
Source: ONS, *The Sub-Regional Value of Tourism in the UK - 2008*

The Torbay economy is also heavily reliant on the public sector. This is demonstrated through an analysis of public and private sector employment released in November 2011. 27.4 % of people working in Torbay were employed in the public sector, compared to 23% across the UK as a whole and 21.8% in the Heart of the SW LEP area.

	Public Sector Employees as a Share of Total Employees	Public Sector Employee Density	Public Sector Employment Rate	Private Sector Employee Density	Private Sector Employment Rate
UK	23.0	15.2	17.7	50.7	51.9
Torbay	27.4	16.0	17.2	42.4	50.2
HOSW	21.8	14.0	18.8	50.0	52.7

Public sector employment rates can also be reviewed as a density in comparison to the total number of residents in an area. In Torbay the public sector employee density is 16%, meaning for every 100 residents in the Bay, 16 people are employed in the public sector. This is slightly higher than the UK average of 15.2% and the LEP average of 14%. It is worth noting that this does not take into account commuting so not all workers may be resident in Torbay.

Torbay percentage point difference from UK average



Source: ONS *Subregional analysis of public and private sector employment, November 2011*

The first bar of the graph above shows that public sector employees make up a higher proportion of total employees in Torbay than in the UK as a whole. However, from this measure alone it is not possible to tell whether this is due to a high level of public sector

employees working in the region, a low level of private sector employees or a combination of the two.

The remaining information helps to further explain the public/private split of the Torbay economy. The public sector employment rate is level with the UK average, while the private sector employment rate is nearly 2% lower. The net effect of this is that the total employment rate for Torbay is just over 1% below the UK average.

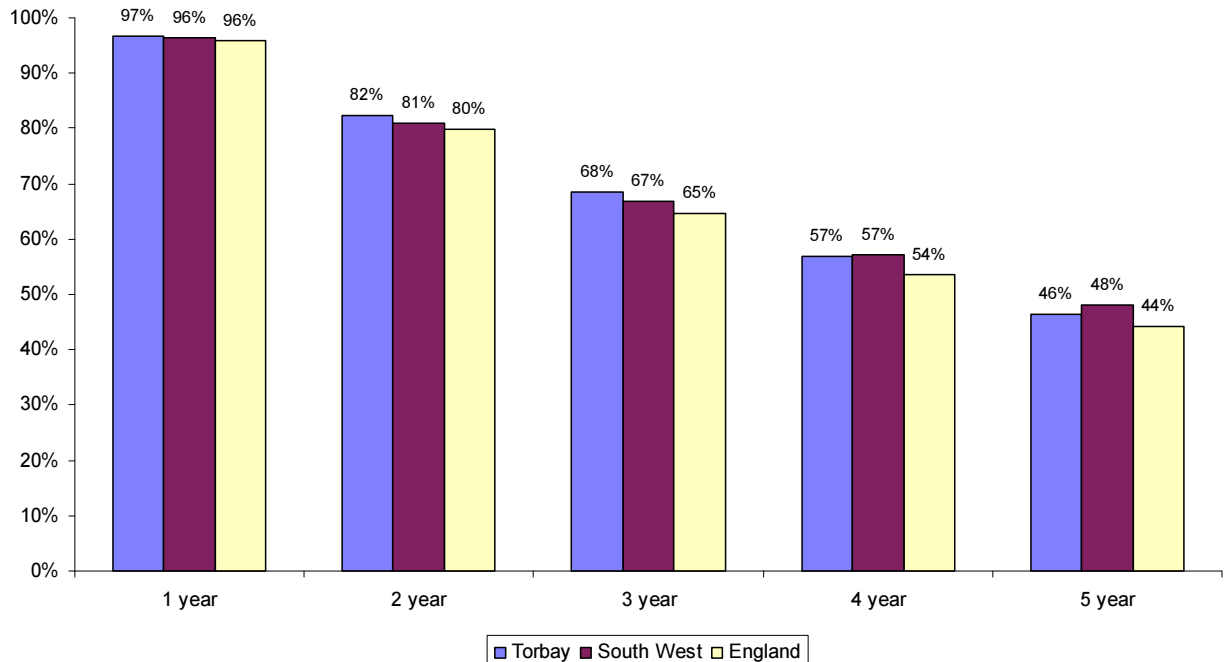
More importantly private sector employee density is over 8% lower in Torbay than the UK average, suggesting the shortage of private sector jobs is a more pressing concern than the over reliance on public sector jobs.

Number and Type of business in Torbay

In 2011 there were 4,560 VAT/PAYE registered units in Torbay. This is down from the 4,855 which were registered in the 2009 data used in the economic assessment.

Survival rates for businesses in Torbay though tend to compare favourably to the national and regional average. 68% of start ups in the Bay survive their first 3 years of trading, 1% more than the region and 3% more than nationally. By year 5 survival rates are slightly lower than the regional average, but still 2% higher than nationally. Given that these businesses will have been trading through the recession this is a positive sign.

Business Survival rates for 2005 start ups



Source: ONS Business Demography 2010

Earnings

Wage levels in Torbay have risen significantly faster than the national and regional average in the last year (2010-2011), at both resident and workplace level.

Median gross weekly pay - resident

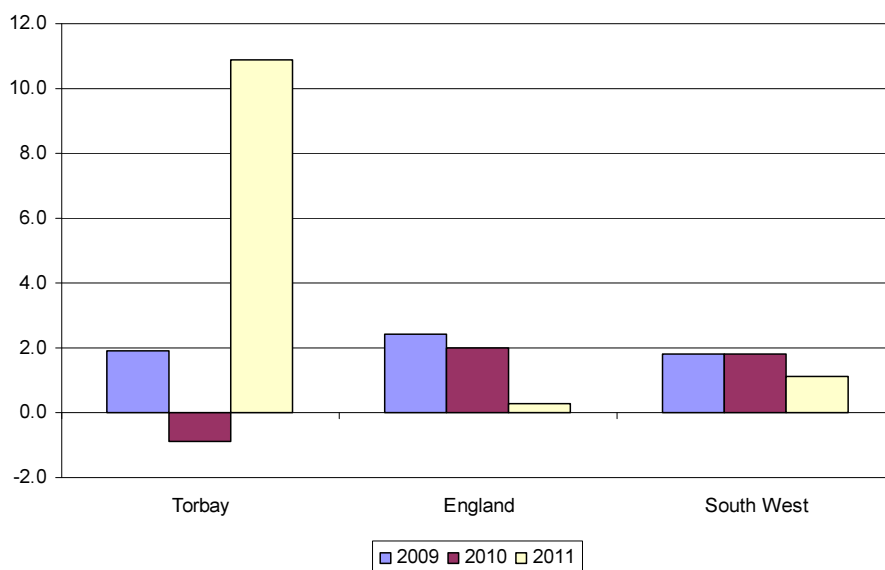
	Torbay	England	South West
2008	368.5	484.5	451.9
2009	375.3	495.9	460.0
2010	371.8	506.0	468.3
2011	412.4	507.6	473.4

Source: ASHE, NOMIS

Despite a challenging economic environment, people working in Torbay now earn on average £406 per week, while residents earn £412. Median gross wage levels across England rose by 0.3% last year, making the rise of 10.9% in the Bay even more notable.

There is no obvious single factor influencing wage growth and although the lower starting point means while the increase is positive, greater movement is needed to bring pay in line with the national average.

Median gross weekly pay (resident) - percentage change year on year



Source: ASHE, NOMIS

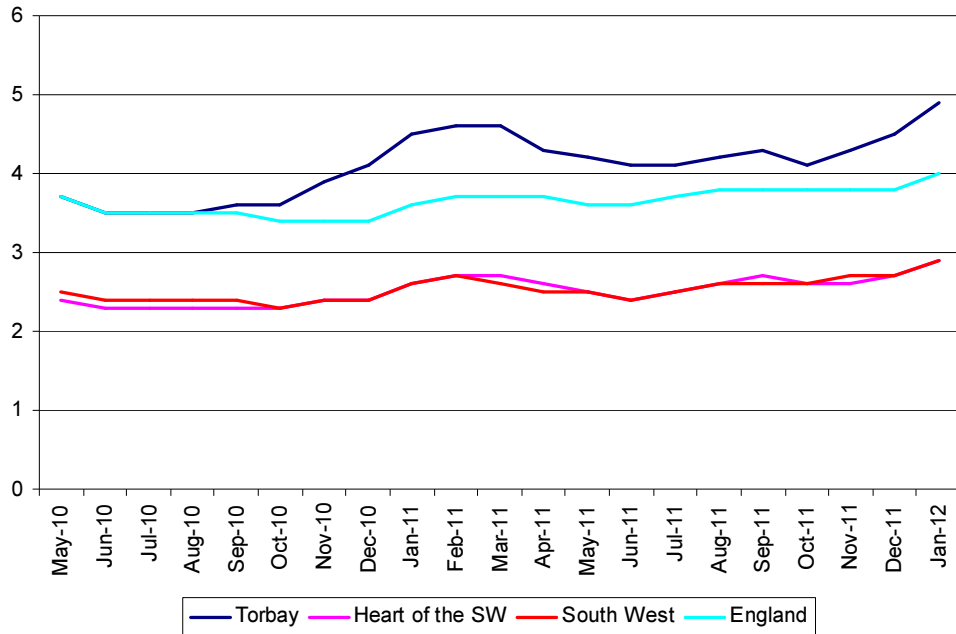
While this increase is a positive step it is worth noting that wages in Torbay are still £95 per week lower than the national average and remain the 14th lowest of any district/unitary council in the country, although this is an increase from 2nd lowest in 2010.

Worklessness

Since the publication of the economic assessment, unemployment, measured through job seekers allowance claimants has continued to run well above the average for both

the South West region and the Heart of the SW LEP area. Rates also overtook the national average in September 2010 and have remained higher since. The seasonal trend highlighted previously has continued, with the claimant count peaking at 4.6% in February and March 2011, before reducing slightly over the summer months. Rates have been climbing since November, reaching a high of 4.9% in January 2012, a year on year increase of 0.4% and 2% higher than the LEP and the South West as a whole.

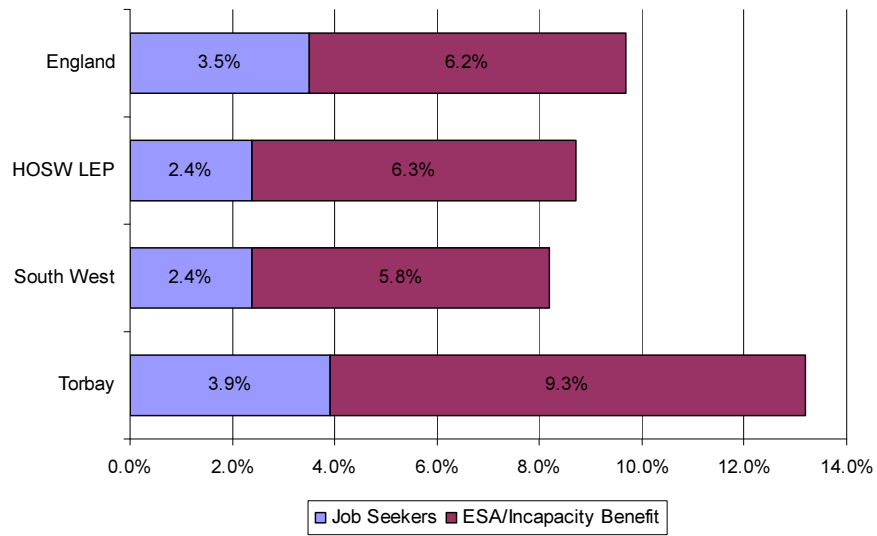
% of 16-64 Job Seekers Allowance Claimant Count – May 2010-Nov 2011



Source: ONS Claimant Count

Worklessness is a real challenge within Torbay, with 19.2% of the working age population claiming some form of benefit. This compares to 14.1% across England, and 12.8% in the LEP area. The bulk of the claimant count is made up of 2 key out of work benefits, employment support allowance (ESA) and job seekers allowance (JSA). With claimant rates of employment support allowance (ESA) 3.1% higher than the national average this continues to be an issue.

JSA/ESA claimant count – May 2011



Source: DWP Benefit Claimants via NOMIS