

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – ECONOMY 1 JULY 2004

EXETER AND HEART OF DEVON ECONOMIC PARTNERSHIP ECONOMIC DEVELOPMENT STRATEGY 2004 – 2008

1.0 PURPOSE

- 1.1 To seek Members views on the emerging sub-regional economic development strategy covering the period 2004-2008.

2.0 BACKGROUND

- 2.1 At the June 2003 meeting of the Scrutiny Committee – Economy, Members endorsed the production of an Exeter and Heart of Devon Economic Partnership (EHODEP) sub-regional economic development strategy. In January 2004, following a tendering process, Atkins Global consultancy was appointed to produce this strategy, a draft extract of which can be found in Appendix 1.
- 2.2 The strategy complements a number of Exeter Vision themes, in particular “prosperous city”, through actions, which encourage investment into the city and support the growth of local businesses. It also complements the Regional Economic Strategy produced by the South West of England Regional Development Agency (SWRDA) by contributing to its three strategic objectives to: raise business productivity, increase economic inclusion and improve regional communication and partnership.
- 2.3 Within this report, section 3 summarises the main issues covered by the draft EHODEP strategy facing Exeter and the sub-region. Section 4 briefly sets out the main thrust of the proposals contained within the draft document and the difference this is likely to make to the local economy.
- 2.4 The draft strategy has been widely circulated for consultation with organisations from the public, private and voluntary sector across the sub-region. Following a collation of the responses arising from consultation, the draft strategy will be brought back in September to this Committee for final comments and approval.

3.0 CURRENT POSITION

- 3.1 The strategy is intended to provide a vision for the sub-region and a working framework for the activities of EHODEP, its constituent members and the key agencies, which impact upon the economic performance of the area. Importantly, it will play a strong role in shaping the priorities of the emerging Local Development Frameworks, the Regional Spatial Strategy (particularly sub-regional policies) and SWRDA’s review of its Regional Economic Strategy and Corporate Plan.
- 3.2 All of these documents will play a key part in determining the context for coordinated and favourable land use, infrastructure improvement and development initiatives. Lobbying for support for such investment and to ameliorate issues affecting the economic health of the sub-region by means of a collaborative approach is the key role for the EHODEP to undertake.

- 3.3 Moreover, the EHODEP through this proposed strategy recognises that the sub-region has a number of functional linkages, which exist between the urban area of Exeter and the rural and coastal hinterland within the sub-region. These linkages take the form of economic, social, cultural and environmental inter-dependencies. At a wider scale, the functional linkages within the sub-region create an area, which is an integral part of the South West and UK economy.

Challenges

- 3.4 However, whilst the city and the surrounding area have enjoyed a recent surge in investment and have established the foundations for a successful and sustainable modern economy, the sub-region is faced with a number of significant challenges, which partners will need to address in order to grasp the benefits offered by emerging opportunities, including: -

- sustaining and building upon the recent growth in the economy
- developing a highly productive knowledge-based industry in the economy¹
- facilitating investment in strategic communications infrastructure, sites and premises
- tackling social and economic exclusion
- investing in skills and learning to enable the existing and future workforce to contribute to and benefit from improving economic productivity.

Sub-region today

- 3.5 These challenges to sustaining a modern economy and growing the sub-region's competitive position arise from the current characteristics of the local industry, workforce and infrastructure. A detailed review of these aspects is contained within Appendix 1. In summary, changes in the 'working' of the local economy are set out below: -

3.5.1 Population

- i. Between 1991 – 2002 the population in the sub-region increased by over 8% (30,000 +); the areas receiving higher rates of in-migration are Teignbridge and Mid-Devon.
- ii. Up to 2011, the population for the sub-region is forecast to increase by a further 50,000; of which 30,000 people will be of working age.

3.5.2 Employment

- i. Employment across the sub-region increased by over 45,000 between 1991-2002, in the city from over 59,000 to 73,000. However, whilst Exeter provides the largest proportion of jobs, its share of the total number of jobs has dropped over the same period, from 44% to 40%, with Teignbridge and East Devon experiencing proportionate increases in their share of jobs provided. A large part of East Devon's employment growth has occurred on land east of the Exeter boundary.

¹ Organisation for Economic Co-operation and Development (OECD) definition of knowledge based industries includes telecommunications, computer and information services, business services, high-technology industries and pharmaceuticals.

- ii. Occupational forecasts for Devon indicate that 43% of the total net increase in employment in the County between 2001 and 2011 will be accounted for by professional occupations, including those with generic business and management skills. Also forecast is the need for additional skills in the culture and leisure sector, the caring professions and retail.

3.5.3 Local industry profile

- i. The service sector dominates the Exeter economy with the banking, finance and insurance sector becoming an increasingly important source of employment. Whilst, public sector jobs remain substantial, in 2002 the sector accounted for a significantly lower proportion of employment than in 1996.
- ii. Over 12% (9,188) of employees² in Exeter work in knowledge based industries. In the whole of the sub-region including Exeter, employment in such activities is 9.5% (over 17,000), whilst across the South West, nearly 12% (246,840) do so. The city accounts for over 26% of all such employees in Devon. Taking the sub-region as a whole including Exeter, this percentage rises to over 48%.
- iii. In Exeter, the proportion of employment in distribution, hotels and restaurants (including retail) has increased since 1991 whilst the opposite is the case for the other three districts, reflecting the growing importance of the City as a retail and commercial centre.
- iv. Despite some decline in manufacturing, employment remains proportionately more significant in the three rural districts, than in Exeter. Within the city, 4,260 people are employed in manufacturing related activity, representing over 6% of Exeter's workforce. In the rural areas of the sub-region over 14,000 people are employed in such activities, representing nearly 13% of their workforce.
- v. Annual passenger numbers from Exeter International Airport are expected to grow significantly and given the route of the M5 through Mid Devon, air and land transport respectively are particularly important employment sectors.
- vi. Approximately 8% of total employment in Exeter is supported by tourism activities.
- vii. Approximately 13% of total employment, nearly 25,000 people in the sub-region is accounted for by the self-employed. Significantly higher rates of self-employment are found in rural areas.

3.5.4 Workforce – skills, qualifications and provision

- i. Older workers in the sub-region are well qualified, whilst young adults are relatively under-qualified. This may result from a significant proportion of young people migrating outside of the sub-region, and in Exeter, a low 'staying-on' rate in full-time education at aged 16+, whilst highly skilled and qualified people aged 35+ are attracted to the sub-region to live, work and possibly retire.
- ii. The sub-region has a strong sixth form and improving vocational training infrastructure provided by Further Education colleges, which will play an

² Source: Annual Business Inquiry Excludes HM Forces, self-employed and those in training/apprenticeships.

increasingly direct role in providing the skills needs of local employers and inward investors across the sub-region.

3.5.5 Deprivation and unemployment

- i. Income levels are relatively low in Exeter, with over 34% of households earning below £15,000 per annum.
- ii. Based on the indices of deprivation relating to income, there are 16 wards mainly concentrated in coastal and market towns within the sub-region, including 4 in Exeter which are within the top 25% most deprived wards in England.
- iii. There are generally low unemployment rates in the city with the highest rates evident in particular wards, e.g. Priory, St. David's, Newtown, St. James.

3.5.6 Land, Property and Infrastructure

- i. Exeter is the key employment centre in the sub-region, however, the distribution of job growth is dispersing outwards from the city, particularly to the east of the M5, Honiton, Tiverton and Newton Abbot. This reflects the dual forces of a growing shortage of employment land in Exeter and the role of the City as the main economic driver in the sub-region.
- ii. There is high demand for a range of good quality employment sites and premises to meet the need for inward investment, local expansion from small through to some large employers, and to meet the employment needs of the growing population.
- iii. Given Exeter's emerging role as a major regional centre for business, employment and innovation, sites providing the future supply of prestige office opportunities are particularly lacking.
- iv. Major schemes – Skypark and the proposed Exeter Science Park need public sector investment to progress site development and infrastructure provision.
- v. Investment over the next 10 years is required for a number of transport infrastructure projects including:
 - development of the terminal at Exeter International Airport including improved surface access
 - improved frequency of trains and twin tracking of the Waterloo line
 - completion of dualling the A30/A303 as the long overdue strategic east – west link
 - new highway links to avoid local traffic using the M5
 - upgrade of North-South routes including the A358.
- vi. An acute shortage of housing has contributed to a rise in higher house prices and consequent issues of affordability.
- vii. Even at a basic level (usage of email/internet), a large proportion of businesses and organisations in Exeter are still not taking advantage of the benefits offered by ICT.

4.0 STRATEGY

4.1 The issues impacting upon the local economy set out in the preceding section require an ambitious but practical vision to maximise the capacity of the sub-region to enhance competitiveness, increase productivity and reduce deprivation.

4.2 This will require partners to work concertedly to respond to the social, technological, economic and environmental changes already underway:

- a growing population and labour force
- in-migration of wealthy retirees, many of which are relatively young and highly skilled
- low unemployment but continued, although improving relatively low level of household income
- low levels of new business formation
- young people continuing to move out of the sub-region to achieve high wages and/or more affordable housing
- requirements for the workforce to have advanced ICT skills and a commitment to lifelong learning
- competition for investment with many communities in Eastern Europe, the Far East, as well as the rest of Western Europe and other parts of the UK.

Vision

4.3 The vision for the city should mirror that of the Community Strategy and seek to develop Exeter's role as the main commercial and regional centre west of Bristol.

Aim

4.4 The main aim of the economic development strategy is to create and preserve a strongly competitive diverse and sustainable economic base, which meets local labour market needs and aspirations and enables people to realize their full potential.

Objectives

4.5 In response to the challenges facing the local economy, it is suggested that positive change can be achieved by focusing on the following objectives for Exeter: -

- sustain the city's competitive position by aiming to grow the numbers employed in knowledge based industries for Exeter and the Heart of Devon by a further 1%, up to 10.5% , representing a target of 1,900 jobs
- securing investment in and development of strategic communications and transportation infrastructure
- make available sufficient and suitable employment land to meet strategic and local business needs across the city and work with neighbouring authorities to facilitate the development of strategic employment land
- significantly reduce social and economic exclusion of the local population by facilitating projects which reduce the number of households earning less than £15,000 per annum

- improve the competitiveness of local businesses by encouraging investment in workforce skills and development
- achieve a balanced housing market including the provision of an adequate supply of affordable housing.

Framework for actions

- 4.6 The Strategy proposes a framework of actions, which builds on a range of key initiatives, some of which are already defined by key partners in the sub-region. This will require an integrated and partnership approach, which is dependent on partners agreeing priorities and committing to implementation of the Strategy under the following principles: -
- focusing on priorities which will produce results whilst seeking to avoid duplication of effort and undertake planning and/or delivery of initiatives at the sub-regional level where it adds value to the outcome
 - building in a regular review of progress and ensuring that strategic objectives and associated actions continue to be justified by robust evidence.
- 4.7 Actions that have a specific relevance for the city are set out in summary form below. Pursuit of these actions over the period 2004 – 2008 will aim to ensure Exeter’s evolving role as a regional economic driver continues to be enhanced and also to place its economy on a more sustainable footing: -
- develop a University of Exeter Science Park, ensuring it is integrated with local business to business services, enterprise support and incubation of high growth and knowledge based businesses arising from university spin-outs, indigenous start-ups, the innovation centre and managed workspace provision
 - bring forward the development of serviced employment land for the location and expansion of local SME’s
 - secure an adequate supply of affordable housing to attract and retain key employees
 - develop centres of excellence for example in financial and business management and ICT to cater for the needs of a knowledge based workforce
 - raise the city’s profile as a regional leader in technology, knowledge transfer and research and development by promoting the role of the University of Exeter encouraging the growth of knowledge based businesses and the creation of graduate calibre employment
 - improve competitiveness by increasing use of ICT and related pre-requisite skills by raising the proportion of businesses in Exeter adopting the use of email and the internet to 70%
 - implement a workforce development plan that secures flexible training provision from providers to meet the skills development needs of employers and employees

- ensure support is established to increase numbers of people with basic skills and enable those living in disadvantaged communities to access training in order to equip them to pursue opportunities to raise their levels of income
- enhance Exeter's attraction as a place to live, work and visit by developing high value added city wide arts, culture and tourism projects that increase the variety and quality of events and places to visit in the city
- improve communications for the benefit of the local economy; secure investment to dual the A30/A303 and to improve Exeter – London rail services and; expand key international destinations reached from Exeter International Airport
- build on Exeter's reputation as a 'green city' and maintain/improve accessibility by businesses and employees by securing investment and commitment from partners to develop integrated transport projects with existing and new site developments, including additional park and ride facilities, increased implementation of green travel plans by employers and improved road and rail access to Exeter International Airport.

5.0 FINANCIAL IMPLICATIONS

- 5.1 Any financial implications for the implementation of the EHODEP economic development strategy will be reported to Committee on a project by project basis.

6.0 RECOMMENDATION that: -

- 6.1 Members note the report and provide their views on the Exeter and Heart of Devon Economic Partnership's sub-regional Economic Development Strategy for the period 2004-2008.

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ECONOMY AND DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background Documents:

Exeter Vision – the city's community strategy
 Regional Economic Strategy for the South West of England 2003 –2012