Swindon Economic Assessment 2009
Executive Summary

ssep
Swindon Strategic Economic Partnership

Swindon
Borough Council

Swindon Economic Assessment

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June 2009

For a copy of the full Swindon Economic Assessment 2009, please visit:

www.ssep.org.uk/economicassessment

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1) Introduction

The Local Democracy, Economic Development and Construction Bill places a new duty on local authorities to produce an economic assessment. This 2009 assessment for Swindon pre-empts that duty and acts as a pilot for the 2010 assessment when the duty comes into effect. It should also be taken in the context of the Action Plan to Develop a Consistent Approach to Economic Assessment and Strategies in the South West being overseen by the Regional Improvement and Efficiency Partnership (RIEP) and the South West Observatory.

This economic assessment will inform Swindon Borough Council's Economic Development Strategy and the policy context of the Swindon Strategic Economic Partnership (SSEP).

This assessment explores the foundations of Swindon's economy and then looks at recent performance in terms of productivity and output. This is done through comparison with similar areas, the South West region and nationally.

2) Strategic Context

Swindon's economic development is mandated in the 2008 – 2030 Swindon Community Plan. The economic direction is set in the Swindon Economic Development Vision and Framework to 2026 which identifies four building blocks:

- Business Creation and Growth
- Regenerating and Creating Places
- Image & Culture
- Skills and Labour Market.

This strategy is aligned with the South West Regional Development Agency's Regional Economic Strategy 2006 - 2015 and also endorsed by the Swindon Local Area Agreement 2008-2011 and The Sub-National Review 2007.

This executive summary utilises the four major factors of production (land, labour, capital and entrepreneurial behaviour), summarises the evidence where available, and then highlights any linkages and analyses after each section. The last part of the executive summary will summarise the conclusions reached and identify possible strategic implications.

i) Land

Average house prices in Swindon dropped by 15% between January 2008 and February 2009. This was significantly lower than the South West region (-19.7%) and England and Wales (-18.5%) figures. Recent trends in commercial property in Swindon seem to indicate an under supply of office land and an over supply of industrial land.

Lower residential property prices in Swindon have been seen as beneficial in attracting investment to the town. Despite the decline in house prices and the glut in availability of commercial property there is scope for growth in industrial property and adequate availability of land for further development.

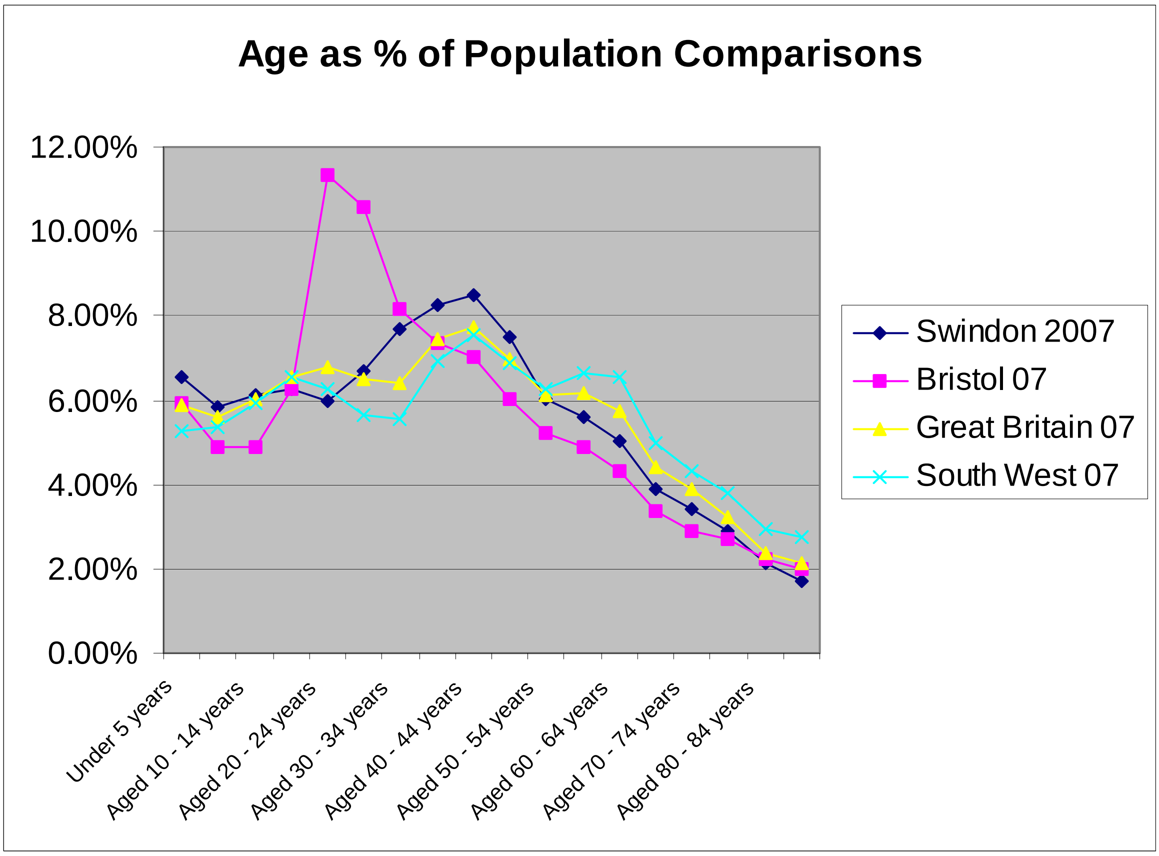
Future employment land use and workplace options have been addressed as part of a study by consultants GVA Grimley. The final report is available to view at www.ssep.org.uk/ssep/projects

ii) Labour

a) Demographics

Swindon's current population, based on the 2007 NOMIS estimate is 189,500. This indicates a 4.99% increase between 2001 and the 2007 estimate. Swindon's growth rate is higher than the SW region (3.43%) and Great Britain (3.03%).

The age break down of this demography shows similarities with the rest of the country. However there is a significant difference in relation to the late teens to early 30s age bracket compared with areas that have further education and higher education facilities, like Bristol. In line with national trends there is also a growing elderly population, which will have implications for health care and the housing and transport strategy.



Graph 1

b) Major Industries

The industries of major significance to Swindon's economy in terms of employees and contribution to GVA are:

<table>
<tr><th></th><th colspan="3">GVA</th><th colspan="3">% of Total Employment</th></tr>
<tr><th></th><th>2004
£m</th><th>2005
£m</th><th>2006
£m</th><th>Jul 05 – Jun 06</th><th>Jul 06 – Jun 07</th><th>Jul 07 – Jun 08</th></tr>
<tr><td>Manufacturing</td><td>1156</td><td>1154</td><td>1354</td><td>18.17%</td><td>16.85%</td><td>13.30%</td></tr>
<tr><td>Construction</td><td>173</td><td>182</td><td>233</td><td>7.31%</td><td>7.57%</td><td>7.21%</td></tr>
<tr><td>Distribution, Hotels etc</td><td rowspan="2">1223</td><td rowspan="2">1217</td><td rowspan="2">1123</td><td>19.14%</td><td>19.58%</td><td>19.39%</td></tr>
<tr><td>Transport, Communications</td><td>9.68%</td><td>10.60%</td><td>11.27%</td></tr>
<tr><td>Banking, Finance etc</td><td>1571</td><td>1671</td><td>1919</td><td>17.85%</td><td>17.76%</td><td>23.45%</td></tr>
<tr><td>Public Admin etc</td><td>637</td><td>709</td><td>710</td><td>19.87%</td><td>19.88%</td><td>19.09%</td></tr>
</table>

Table 1

The banking, finance and business services industry provides the highest GVA as well as the biggest percentage of employees. This is a consistent trend across both these categories. Manufacturing continues to remain significant to Swindon's economy across both these indicators.

The knowledge intensive sector is emerging as a major component of Swindon's economy. Understanding the knowledge driven economy and its drivers in Swindon could potentially position its economy for greater economic development and growth.

"…the emergence of knowledge based economies …has profound implications for the determinants of growth, the organisation of production and its effects on employment and skills requirements and may call for new orientations in industry related policies.[1]

Swindon is well positioned to pursue this agenda. Currently in Swindon the sector incorporates advanced engineering, biotechnology, creative industries, environmental technologies, ICT and financial services and scores well on the knowledge economy scorecard[2] with gaps identified in higher education provision.

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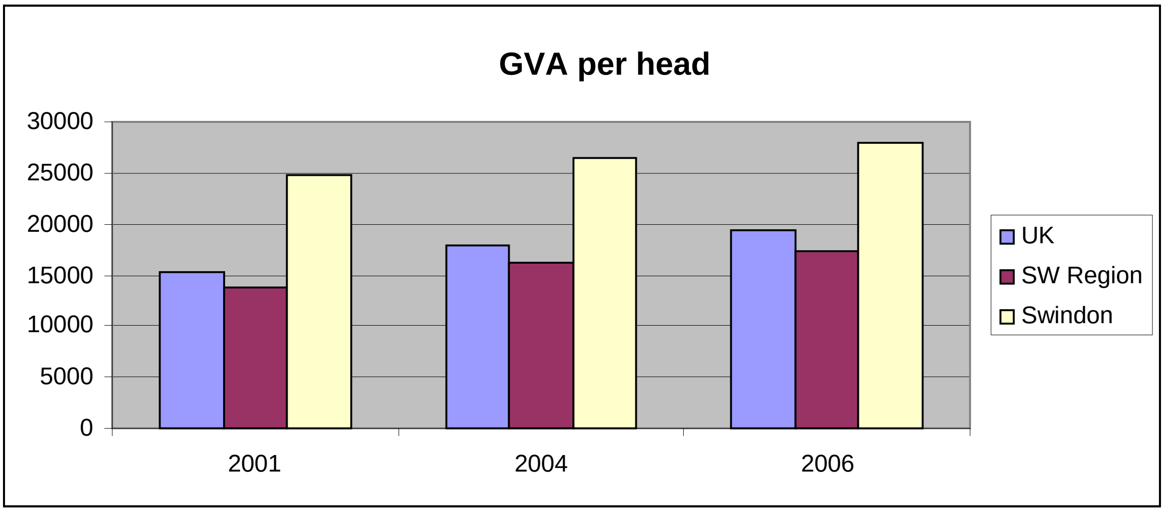
[1] OECD 1998 quoted in, The Knowledge Driven Economy, Regional Economic Strategy and Regional Spatial Strategy in the South West of England SWRDA 2005 http://download.southwestrda.org.uk/file.asp?File=/res/general/KE%20Final%20Report%20190705.pdf

[2] A broadly based set of indicators intended to capture the complexity and multi dimensional structure of a knowledge intensive economy. SWRDA

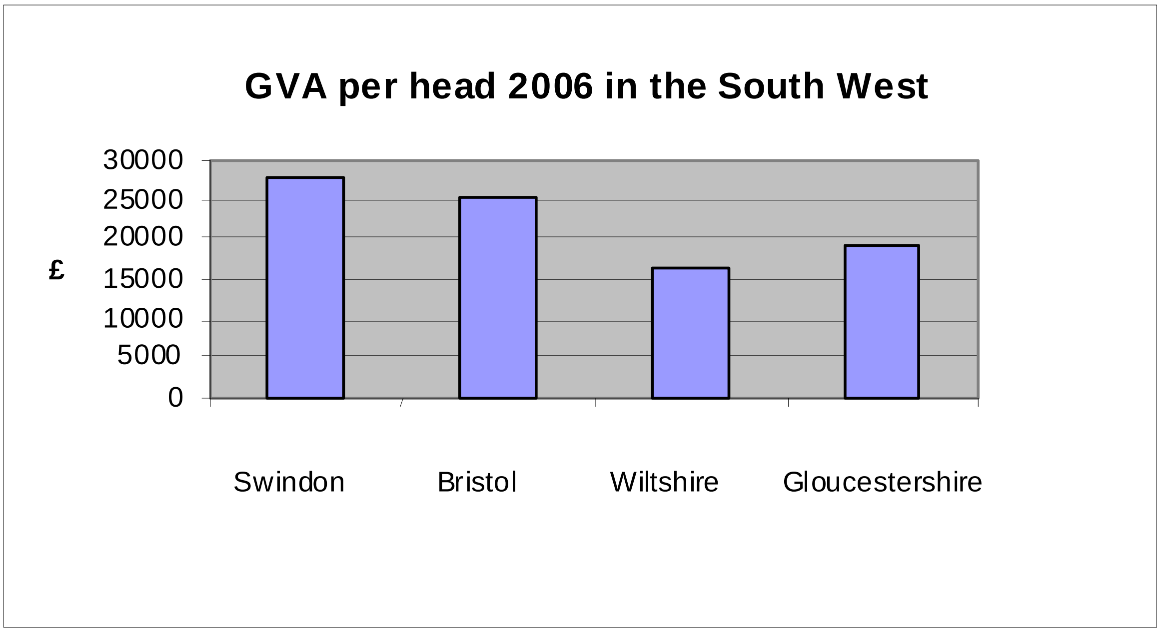
c) Gross Value Added

GVA as a measure of economic output showed the UK's 2007 total GVA as £1216.8bn, which was a 6% growth on the 2006 figures. The South West region had a GVA of £94.2bn and a growth rate of 5.8% over the same period. The latest GVA figures, which provides Swindon (£4.9b) specific data is 2006. Between 2005 and 2006 Swindon recorded a 4.99% increase and the South West recorded a 4.95% increase. The GVA per head figure has consistently seen Swindon in the top 10 areas nationally and is consistently the highest in the South West England region. The per head growth rates however show a different trend. Over the same period Swindon's per head rate grew by 3.9% whilst the South West region grew by 4.2% and the UK grew by 4.7%. Over a longer period this trend is more evident and given the 2-year lag in data availability it is likely that the current situation may have worsened.

Swindon's commuting pattern somewhat blurs this measure, as the towns' inward commuting figure is double the outward commuting figure. So there is a significant proportion of Swindon's workforce travelling in and contributing to the GVA data, but taking their earnings to spend outside the Borough. Further research is needed on GVA per job and per hour worked as well as by sector and profession to provide further analysis on Swindon's real productivity.



Graph 2



Graph 3

d) Gross Disposable Household Income

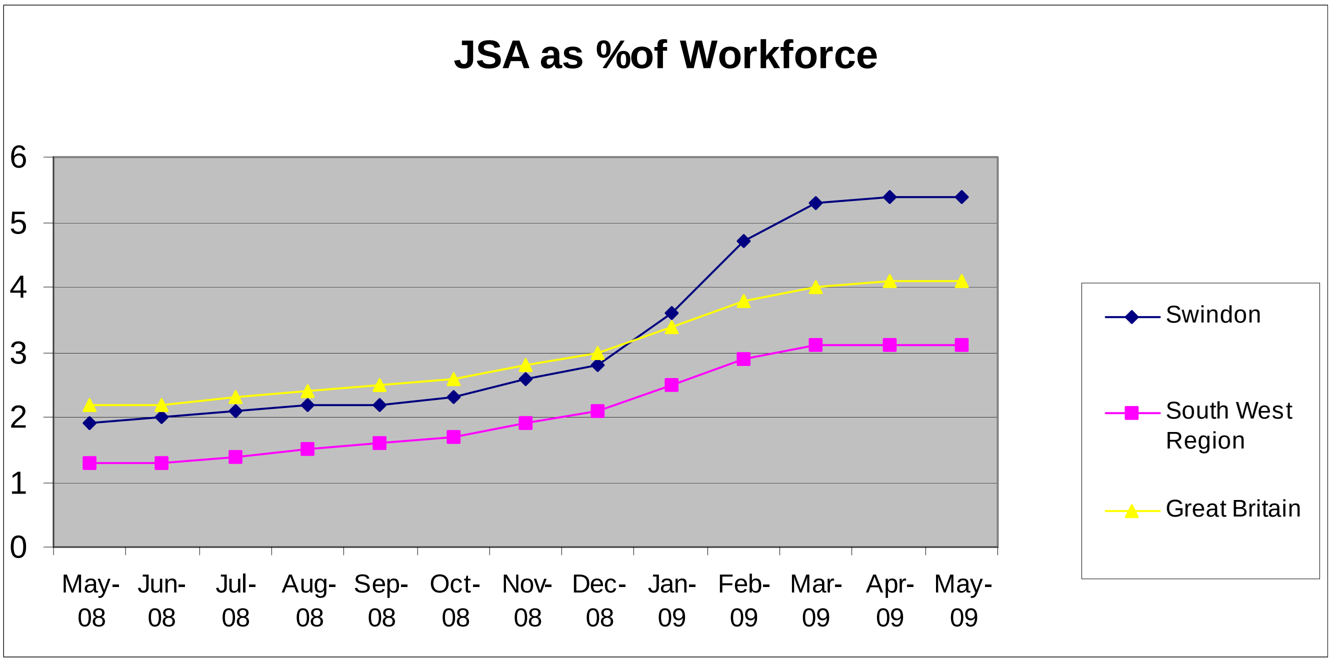
Swindon's GDHI per head has consistently been higher than SW Region and Great Britain figures. As per the GVA figure, GDHI is showing a slower growth rate.

	2000	2006	2007	% Growth 06/07
Swindon	11408	14666	14838	1.16%
Bristol	10589	13017	13195	1.35%
SW	11077	13968	14187	1.54%
Great Britain	11162	14070	14334	1.84%

Table 2

e) Labour Market

Recorded unemployment levels in Swindon have historically been consistently below the Great Britain figure but above the SW regional figures. However, the most recent figures are now showing a reversal of this trend and the recession's impact is especially evident in the steep rise in the number of residents claiming Job Seekers Allowance. The January 09 JSA count period saw Swindon overtake the Great Britain figure for the first time in over 20 years.



Graph 4

The economically active count in essence provides a picture of the potential workforce in an area. The economic activity rate takes this figure as a percentage of the total population. Historical trends show Swindon as having a higher rate than both the South West region and Great Britain as a whole. By 2007 /2008 Swindon's growth rate had slowed and the gap with the South West region and Great Britain now seems to be narrowing.

f) Qualifications

Across all NVQ levels this has been an area where Swindon has lagged behind both regionally and nationally and this gap is increasing. This highlights a priority for Swindon moving forward.

g) Earnings

Date	Swindon Total by Residence (£)	Swindon Total by Workplace (£)
2006	380.6	435.4
2007	406.2	482
2008	408.6	484.5

Table 3

These figures show Swindon performing well and as at 2008 were well above the SW region (445.4) and Great Britain (479.1) workplace figures. Trends however are showing a slower rate of growth in Swindon in comparison to other areas. Between 2004 and 2008 Swindon's workplace average earnings grew by 6%. This compares with a South West region growth of 11.9% and the UK 12%.

The most recent available data for Swindon shows a well-paid and highly productive labour force. The indicators for growth, however, are showing movement in the wrong direction. There is a decline in GVA and GVA per head growth, and a slowing down in the growth of gross disposable household income and earnings. Qualifications levels are lower than the national rates and the gap is growing. The population growth rate is one indicator that is moving in the right direction but there is some under representation in the late teens to early 30s demographic.

Linkages

There is a clear need to improve Swindon's skills and qualifications levels - this links directly with the need for a better Further Education offer and to attract a university to Swindon. Improved skills and qualifications and a new academic institution would complement the emergent knowledge intensive economy, as will the five Research Councils based in Swindon. The improvement in skills and qualification will contribute to an increase in productivity and the associated GVA gains.

The commuting to work pattern for Swindon needs to be better understood to complement any strategy to balance the skills and qualifications landscape. This includes the industries affected by this issue, the skills and qualifications being imported and possibly lost due to out-commuting.

Labour is also a function of demographic trends. Maintaining sufficient population growth and attracting and retaining the late teens to early 30s demographic not only boosts the skills levels but also sets up a more productive workforce in the older age groups.

Attracting and retaining people in Swindon are also linked to the availability of employment opportunities and an appropriate residential offer. The rise in unemployment is a recent trend and the recession has hit Swindon particularly hard. Job creation will need to be a strategic priority – ideally in the knowledge intensive sectors. Any growth in Swindon's economy needs to be supported with affordable housing that meets the requirements of the workforce. Ideally this will include highly skilled and qualified professionals.

The current Swindon Strategic Economic Partnership[3] portfolio of intervention, tied in with LAA targets, is designed to address these issues. NI 153 will address worklessness whilst NI 164 focuses on increasing the number of people with NVQ3 or higher. There are also current negotiations with the University of the West of England for a campus in Swindon.

iii) Capital

There are few systems that enable us to monitor and measure flows of external capital.

The recession has certainly affected the availability of capital. There are existing development projects being pursued by the New Swindon Company and Swindon Borough Council (Union Square and Regent Circus), but progress has been difficult. Public and private funds are now at a premium and attracting external investment has slowed dramatically in recent months. Access to finance is also a major hurdle for businesses with financial institutions reluctant to take risks in the current recessionary climate.

Confidence in a revitalised Swindon economy coupled with a productive workforce and a dynamic and robust knowledge intensive economy will see growth here.

Linkages

Access to capital will provide a boost to the construction industry and promote business activity. Availability of finance could also serve to stimulate investment in knowledge intensive businesses.

Iv) Entrepreneurial Behaviour

Business start up rates are measured through VAT registration figures, which record new businesses registered for VAT. Between 2000 and 2007 the VAT registered business stock in Swindon increased by 17.37%. This compares with 11.71% in the SW region and 12.44% throughout Great Britain.

[3] For full details of SSEP activities, see the SSEP website www.ssep.org.uk

There is evidence of a strong entrepreneurial culture in Swindon but availability of start up funding is a particular constraining issue in the current economic climate.

Linkages

Entrepreneurial behaviour will be encouraged with a more skilled and qualified population. This, in turn, will encourage innovation and ongoing research and development. The ongoing link will be a knowledge intensive sector. The potential entrepreneurs will need to have access to finance and will need to exist within a culture that will embrace managed risks.

The SSEP Enterprise Group leads on this agenda with the development of enterprise opportunities with an emphasis being placed on encouraging youth participation in enterprise.

3) Economic Recession

The most significant event on the horizon, which will have the most telling impact on Swindon's economy, is the global recession. There are a variety of theories around the length and breadth of this recession and the likely extent of its consequences. Early figures show that the impact is severe and initial indications reveal that it will prove to be another major challenge to Swindon's economic development.

There are some generic national trends with the banking industry in disarray, a squeeze on finance and the collapse of the construction industry impacting on property prices. The manufacturing and retail industries followed with a dramatic decline and the closures of high street shops and temporary shut downs for some local major manufacturing firms. Unemployment across all sectors signals the severity of this recession.

4) Summary

Swindon has a solid economic foundation capable of high output with an economic performance that can be described as consistent. This is confirmed in this report and by other economic commentators. The Local Futures' Place profile[4] ranked Swindon 28th out of 408 districts placing it in the top 20% of districts nationally. This ranking is an amalgamation of indicators including productivity (Swindon had a score of 140.77 – with the Great Britain figure being 100), workplace earnings and GVA per head. Using employment as a measure of growth, the number of employees in Swindon decreased by 1.24% between 2006 and 2007. Using this indicator in isolation places Swindon in the bottom 20% of districts nationally. The current recession has emphasised this decline with the surge in the Job Seekers Allowance claimant count. This highlights a lever for future strategic focus.

Overall there is a resilient economic foundation in Swindon, which reflects its ability to 'bounce back' in past economic downturns. The performance indicators are still strong, however the growth trends behind these figures are showing a marked slow down. Swindon's past economic growth and high productivity has been industry led. Swindon's ability to attract high value companies and quickly meet the skills requirements within these sectors has seen early and sustained productivity gains. Competing locations are now starting to catch up with Swindon. Swindon's location will continue to be a comparative advantage. The labour force, however, does not seem to be keeping pace with the changing competitive nature of national and global markets.

The historical reliance on one or two major industries means any decline in those markets would have a dramatic impact on Swindon. This is graphically demonstrated in the global decline in the automotive manufacturing industry and the associated upstream and downstream supply chain partners.

Throughout this report has been stressed the point that the knowledge intensive economy will be what drives sustainable economic development and growth in Swindon. There is consensus that within that sector the environmental technologies field and renewable energy will provide the greatest opportunities for growth through and coming out of the recession. This is influenced by the Kyoto Protocol targets as well as the UK government's target of a reduction in CO_2 emissions by 50% by 2050. Swindon-based firms are well placed to take advantage of this - both in manufacturing and services (consultancy). Another sector where Swindon is currently making solid progress is in the semi conductor area with local firms trading well through the recession.

[4] District Proflie: An Economic Performance Profile of Swindon – April 2009.

5) Strategic Implications

Short Term (6 – 12 months)

- There is an immediate need for business support. This includes access to finance and training in sustainable best practice.
- Encourage research, development and investment in environmental technologies.
- Develop a more collaborative relationship with the five Research Councils based in Swindon.

Medium to long term (1 – 20 years)

- University in Swindon
- Develop a skills strategy targeting a highly skilled and qualified workforce with a broad adaptable skills base and incorporating growth sector requirements and major employers input.
- Regeneration projects progress
- An economy that incorporates a range of industries across the knowledge intensive sector while continuing to support major employers.

These factors of production continue to be key issues across all of Swindon's strategic accountabilities. How it chooses to position itself in the wake of the current economic recession and the comparative advantages of its economy will be the challenge for Swindon.

The SSEP is a partnership between Swindon Borough Council, other public sector economic development agencies, and Swindon's business community.

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