Section 69 of the Local Democracy, Economic Development and Construction Act 2009 placed a duty on principal local authorities to prepare an assessment of local economic conditions. The duty came into force on 1st April 2010.

Somerset’s Economic Assessment has been developed as a result of a robust process combining rigorous desk assessment as well as consultation with key stakeholders to test conclusions and ground them in reality.

Our Assessment comprises three levels of information depending on the depth of information desired by the reader:
1. A ‘key messages’ document with brief highlights of Somerset’s economy;
2. A more detailed outline of Somerset's economic conditions including analysis and an agenda for future action; and
3. A compendium of documents that provide detailed analysis on each part of the Somerset's economy.

This document is the second document on the list.

If you require this document in an alternative format:

Or you would like any further information on the Somerset’s Economic Assessment please contact:

Carrie-Anne Hiscock, Senior Economist
Somerset County Council, County Hall, Taunton TA1 4DY.
Tel: 01823 357981
Email: CAHiscock@somerset.gov.uk
# Contents

1 Introduction .......................................................................................................................... 1  
  1.1 Somerset – The Heart of the South West ........................................................................ 1  
  1.2 Our Economy and the National Context ................................................................. 2  
  1.3 A Joined Up Approach .......................................................................................... 3  
  1.4 The Content of our Somerset Economic Assessment ........................................ 4  
2 Economic Geography ........................................................................................................... 5  
  2.1 Somerset’s Geography and Population .................................................................. 5  
  2.2 Somerset’s Functional Economic Market Areas .................................................. 5  
  2.3 Policy Theme: The Rural Economy ...................................................................... 8  
3 People and Communities ..................................................................................................... 12  
  3.1 Demography and Geography ................................................................................. 12  
  3.2 Labour Market ....................................................................................................... 13  
  3.3 Earnings ................................................................................................................ 14  
  3.4 Education ............................................................................................................... 15  
  3.5 Young People’s Participation in Learning ............................................................ 15  
  3.6 Skills ......................................................................................................................... 15  
  3.7 Skills Shortages and Gaps ................................................................................... 17  
  3.8 Economic and Social Exclusion .......................................................................... 18  
  3.9 Policy Theme: Worklessness ............................................................................. 19  
4 Economy, Business and Enterprise .................................................................................... 23  
  4.1 Economic Productivity - Gross Value Added (GVA) ......................................... 23  
  4.2 Employment .......................................................................................................... 24  
  4.3 Sectoral Structure ............................................................................................... 26  
  4.4 Enterprise and Innovation .................................................................................. 35  
  4.5 Business Needs ..................................................................................................... 40  
  4.6 Policy Theme: Competitiveness ....................................................................... 40  
5 Sustainable Economic Development ................................................................................... 43  
  5.1 Transport Infrastructure ...................................................................................... 43  
  5.2 ICT Infrastructure ............................................................................................... 44  
  5.3 Housing ................................................................................................................ 47  
  5.4 The Natural Environment .................................................................................. 49  
  5.5 Policy Theme: The Low Carbon Economy ...................................................... 49  
6 Conclusions – Somerset’s Economic Competitiveness ................................................. 52  
  6.1 Strengths and Weaknesses .................................................................................. 52  
  6.2 Opportunities and Threats .................................................................................. 53  
  6.3 The Aspiration for Somerset’s Economy? ......................................................... 53  
  6.4 The Context for Action ....................................................................................... 54  
  6.5 Identifying Potential Action ............................................................................... 55  
7 Future Action .................................................................................................................... 55  
  7.1 Potential Action Areas ......................................................................................... 55  
  7.2 Summary of Potential Actions .......................................................................... 57  
Appendix 1: South West Observatory Core Indicators ...................................................... 59  
Appendix 2: Compendium of Documents Used for SEA ............................................... 60  
Appendix 3: Table of Figures ......................................................................................... 64
1 Introduction

1.1 Somerset – The Heart of the South West

Somerset lies at the heart of the South West with good accessibility to the economic ‘powerhouse’ of London and the South East.

Figure 1: Somerset's position at the heart of the South West

The county is made up of a complex hybrid of geographic areas including towns that are key business centres (Taunton, Bridgwater and Yeovil), as well as networks of market and coastal towns and deeply rural communities all of which have their own distinct characteristics and needs.

A number of sectors are strong in the Somerset economy including advanced engineering/aerospace, food and drink, tourism and the public sector. The county is home to major players in business (e.g. Aerosystems International, AgustaWestland, Clarks International, IBM, Yeo Valley, Butlins) as well as a wide range of Small and Medium sized Enterprises (SMEs) that play a significant role in the local economy.

As we look to the future there are major opportunities for the county, especially as we aspire to a low carbon economy\(^1\). Building upon the economic benefits already derived for Somerset from the Hinkley Point A and B nuclear power stations in the county, the

\(^1\) Although there is no consistent working definition of a low carbon economy, it is best understood as a range of activities which are materially supported by the need to reduce the release of carbon dioxide into the atmosphere.
The proposed Hinkley Point C development would involve the establishment of two next generation European Pressurised Reactors together with a range of support and ancillary services. With planned timing for the first nuclear reactor to be operational by 2018 and the second 18 months later, there is the potential for this project to deliver significant economic benefit to Somerset in the short, medium and long term.

Somerset’s economy is supported by its people, culture and environment. The county’s population is over half a million and is forecast to grow to over 600,000 by 2028. Its population also swells significantly during the holiday months given its popularity as a tourism destination. The county hosts major, world-renowned cultural events and local attractions such as:

- Glastonbury Festival – “the largest green-field music and performing arts festival in the world” (http://www.glastonburyfestivals.co.uk);
- Somerset County Cricket Ground – home to the successful Cricket Club;
- The Bath and West Show – attracting thousands of visitors each year;
- West Somerset Railway – the longest steam heritage railway in the UK, operating between Minehead and Bishops Lydeard; and
- Somerset Carnivals – from late September to mid November each year when ‘mardi gras’ comes to the towns and villages of Somerset.

Somerset is an area of distinct natural beauty. Its landscapes are diverse and beautiful and include the rich farmlands in the south of the county, the levels and moors of central Somerset, the Mendip Hills and Cheddar Gorge in the north and the Blackdowns, Quantocks and Exmoor further south and west.

All these features make Somerset an attractive place to visit, live, work, and invest.

### 1.2 Our Economy and the National Context

Our economy in Somerset is influenced by the national economic context, which has altered drastically in recent times. The national economy is in the process of recovery from a deep recession and the Coalition Government has provided clear signals on its direction of travel for the economy in future, including:

- Tackling the public sector deficit as a top priority – any future action will, therefore, be tempered by a tighter public sector purse;
- A confirmed commitment to moving towards a low carbon economy;
- Tackling economy, business and skills issues by:
  - Removing barriers to enable markets to work;
  - Much smarter intervention in the event of proven market failure;
  - Shared responsibility in funding and resourcing – government (where necessary) and beneficiaries (employers/businesses/learners);
  - Private sector leadership to help re-balance the economy;
- Significant changes to the benefit system to ensure work pays; and
- Increasing control and decision making by individuals and communities through the ‘Big Society’.

The regional level economic landscape is also changing as a result of the Government’s ‘localism’ agenda. Regional Spatial Strategies have been revoked, returning decision making on planning and housing to local councils. Regional Development Agencies have been abolished in favour of new Local Enterprise Partnerships (LEPs) which may cover a wider area than Somerset County. The intended role of LEPs is:
“to provide the strategic leadership in their areas to set out local economic priorities. A clear vision is vital if local economic renewal is to be achieved. The Coalition Government is determined to rebalance the economy towards the private sector. We regard local enterprise partnerships as being central to this vision.”

The agenda for LEPs will be informed and shaped by the evidence base developed through Local Economic Assessments. In addition, a Regional Growth Fund of £1.4 billion for 2011/12 and 2012/13 will support action to:

- Encourage private sector enterprise by providing support for projects with significant potential for economic growth and create additional sustainable private sector employment; and
- Support, in particular, those areas and communities that are currently dependent on the public sector (which Somerset is) to make the transition to sustainable private sector led growth and prosperity.

In Somerset we face challenging times, limited resources and increasing responsibilities. Never has the time been more important to ensure a robust evidence base on which to base future action and investment at the county level and to attract investment from outside the county; hence the importance of our Somerset Economic Assessment (SEA) as a foundation and tool for decision making.

1.3 A Joined Up Approach

Our SEA will offer a joined up approach to economic development. Its purpose is to:

- Provide a robust analysis of local economic conditions;
- Inform spatial and thematic actions and actions for a future LEP; and
- Help influence resources and investment from within and outside the county.

The principles that have guided the development of our SEA are:

- An inclusive approach - our engagement has been full and inclusive with a range of partners and stakeholders;

---

2 Letter dated 29 June 2010 from DBIS and DCLG to Local Authority Leaders and Business Leaders.
A strategic perspective - the SEA needed to be a strategic document, highlighting the most significant issues and trends across the county. This does not imply a 'one size fits all' approach which would not be appropriate given the complexity of Somerset's economic geography;

A forward-looking approach - there was a danger that the SEA might focus unduly on the past and present, given the availability of data. Our SEA balances the need to draw conclusions from existing data with consideration of future policy issues for the county's economy;

Realism - a realistic approach was required if the first SEA was to be produced within the timescale.

The process for developing our SEA has included:

- The development of a robust evidence base through a mix of desk research and stakeholder engagement. This includes two core documents which analysed key components of the Somerset economy:
  - ‘The State of Somerset’ audited the performance of Somerset, benchmarking it against national indicators on economic, social and environmental wellbeing (Local Futures Group, February 2010);
  - ‘The State of the Somerset Economy’ provided core information on economic geography, the economy, people and communities and sustainable economic development (Ekosgen, June 2010);

- Utilising regional level information to inform our evidence base:
  - Functional Economic Market Areas: Somerset Analysis – analysing key features of the economy from a spatial perspective (South West Observatory, August 2010a); and
  - Scenarios for forecasting growth (Oxford Economics, June 2010);

- The development of policy themes on issues of importance to the Somerset economy - Competitiveness, The Rural Economy, Worklessness and The Low Carbon Economy;

- Economic Strategies for our District/Borough partners (Mendip, Sedgemoor South Somerset, Taunton Deane and West Somerset) and plans by Exmoor National Park Authority; and

- Production of a draft SEA and final SEA following a full consultation process.

1.4 The Content of our Somerset Economic Assessment

This document presents the key information collated in the assessment of our economy and its implications for policy in Somerset. The document is underpinned by a range of more detailed documentation (outlined in Appendix 2) providing further information on each of the topics and themes.
# Economic Geography

## 2.1 Somerset’s Geography and Population

As stated in the introduction, Somerset’s geography is made up of a mix of different areas. The county covers an area of 3,450 km² and has larger towns as well as a mix of market towns and ‘deeply rural’ rural areas. Somerset’s largely rural nature means that it has low population densities. The national average is 3.95 people per hectare and the regional average is 2.19 people per hectare. Based on ONS mid year population estimates for 2008, Somerset’s overall population density is 1.52 people per hectare. West Somerset is the most sparsely populated of the districts, with a population density of less than 0.5 people per hectare. Areas to the west of the county and large areas of Mendip also display low population densities. The more densely populated areas lie along the major transport corridors and around the more influential settlements. Low population densities can be a challenge for economic growth as it can be difficult to manage growth sustainably and to offer cost effective services and support.

## 2.2 Somerset’s Functional Economic Market Areas

Economic flows often overlap local authority boundaries. This means that the functional economic area over which the local economy and its key markets operate will not necessarily adhere to administrative boundaries. Instead, key economic markets broadly correspond to sub-regions or city regions – known as functional economic market areas (FEMAs). These areas vary depending on which economic feature is being examined and highlight the different functions of settlements within Somerset. Relevant FEMAs are considered throughout Somerset’s Economic Assessment with a view to illustrating interaction of functional areas within and outside the county.

In order to assess the FEMAs for Somerset, the South West Observatory (August 2010a) utilised the Spatial Economic Analysis Tool (SEAT) that was developed regionally by SQW (June 2010). The report analysed and established correlations between the 100 datasets used to help identify the greatest similarities and clustering. The seven clusters that emerged from this analysis are portrayed in Figures 3 and 4 and summarised in Table 1. They identify the broad types of area within Somerset based upon similarities in their social, economic and environmental characteristics.

---

3 PACEC (2007) Thriving Local Communities: Mapping Sub-Regions.
4 Department of Communities and Local Government (February 2010), Functional Economic Market Areas - An economic note.
Table 1: Urban and rural clusters

<table>
<thead>
<tr>
<th>Colour Code</th>
<th>Title</th>
<th>Character/Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban 1 - Badly housed mixed neighbourhoods</td>
<td>Poor housing, ethnic diversity, higher proportions of students and high population density. They form parts of the centres of most cities and larger towns.</td>
</tr>
<tr>
<td></td>
<td>Urban 2 - Deprived, poor neighbourhoods</td>
<td>Low incomes, skills and educational attainment, single parent households and high claimant rates. Also found in most cities and larger towns, but not confined to the centre of settlements.</td>
</tr>
<tr>
<td></td>
<td>Urban 3 - Low skill working neighbourhoods</td>
<td>Public sector housing, low skills, and routine and semi-routine occupations. Also found in most cities and larger towns, and also in some more rural locations.</td>
</tr>
<tr>
<td></td>
<td>Urban 4 - Middle-aged, diverse neighbourhoods</td>
<td>Relatively high proportions of middle aged people, ethnic minorities, high car ownership and high population density. Mainly urban neighbourhoods, but also appear on the outskirts of some cities and towns.</td>
</tr>
<tr>
<td></td>
<td>Rural 5 - Resorts &amp; retirement</td>
<td>High proportion of public sector employment, second homes, and residents of retirement age. There are also higher proportions of houses in multiple occupation. There is a strong coastal distribution of these areas, though they also appear in attractive, rural inland areas.</td>
</tr>
<tr>
<td></td>
<td>Rural 6 - Rural communities</td>
<td>High proportions of employment in agriculture and fishing, poor access to services, small businesses (both size and turnover), home-working and high car ownership and longer distance commuting. The make up the ‘rest of the countryside which is not commuter belt or a resort or retirement area.</td>
</tr>
<tr>
<td></td>
<td>Rural 7 - Urban fringe</td>
<td>High car ownership, well-qualified residents and also by prevalence of small businesses. They clearly define the areas of attractive countryside close to cities and larger towns which are the locations of choice for commuters.</td>
</tr>
</tbody>
</table>

The report by South West Observatory (South West Observatory, August 2010a) produced the map outlined in Figure 3 which shows the concentration of these clusters across Somerset. Figure 3 shows that:

- Within the main towns of Taunton, Bridgwater and Yeovil, areas are mostly classes 3 and 4 (red and purple), with very small pockets of 1 and 2 (light blue and dark blue). This indicates relatively low levels of deprivation, compared to larger cities such as Bristol; and
- Large parts of Somerset are rural (class 6 - green) with areas of urban fringe (class 7 - brown) around the main towns and settlements and also pockets of resorts/retirement (class 5 - yellow).

Figure 4 illustrates five clearly identifiable urban clusters:

- **Links within Somerset:**
  1) There is a clear urban pattern along the M5 corridor. This extends from Wellington up through Taunton, Bridgwater and Burnham-on-sea; and
  2) Yeovil and proximity to the A303. The Yeovil urban fringe spills over into west Dorset;

- **Links outside Somerset:**
  3) Continuing along the M5 (as indicated by the arrows) there are clear links north to Weston-Super-Mare (North Somerset) and into Bristol, as well as south to Exeter;
  4) Mendip (particularly Frome) has ties to Bath and North East Somerset (BANES); and
  5) Mendip also has links to Wiltshire.
Figure 3: Multivariate Analysis: Somerset Clusters (see Table 1 for key)

Figure 4: Multivariate Analysis: Somerset Connections (see Table 1 for key)
Complementing the South West Observatory report, Ekosgen’s analysis (June 2010) identified Taunton, Bridgwater and Yeovil as the county’s main towns and engines for growth in the economy. The main local functional area identifiable within Somerset revolves around the towns of Taunton, Bridgwater and Wellington with strong links between the three towns, which are physically and functionally closely related, having the same Housing Market Area. However, they have distinct labour markets and travel to work flows between them (particularly Taunton and Bridgwater) are minimal (Somerset Local Transport Plan 2006-2011). Whilst Yeovil plays a very significant economic role in the county, its economy is relatively self-contained, and it has relatively little connectivity with Taunton and Bridgwater. West Somerset has labour market, retail and service linkages with Taunton and Bridgwater, although the peripheral position of Minehead means that there is a negligible flow of labour in and out of the town from and to other major settlements.

While there is a perception that West Somerset looks west to the rest of the “Northern Peninsula” and shares much in common with North Devon, there are relatively few economic linkages with Barnstaple. Overall, Somerset’s economy is relatively self-contained. According to the 2001 Census, almost 90% of the workforce live and work in within the county. At district level this ranges from 83% in Mendip to 96% in West Somerset.

The Ekosgen report (June 2010) concluded that although Somerset’s economy is usually considered as a single entity, it displays a lack of connectivity and is in fact several different and distinct economies which have different relationships with surrounding areas. This can be considered both a strength and a weakness, as there is not reliance on a single, major employment centre which might leave an economy vulnerable, but at the same time there is little flexibility in local economies, and limitations on labour market mobility. An economic shock that affected one town for instance, might have more severe impacts given the lack of connectivity with other labour markets.

2.3 Policy Theme: The Rural Economy

The Rural Economy was identified as a key policy theme requiring additional analysis. The report by James Shorten, c4g (August 2010) provides a full analysis of the rural economy of Somerset. The key findings of the ‘theme paper’ are outlined below.

2.3.1 Background

Evidence from Ekosgen (June 2010) and c4g (August 2010) indicates that:

- There are three broad types of economic area within Somerset, two of which are rural: the ‘dispersed rural economy’, centred on smaller market towns that provide local services and retail to smaller rural hinterlands, and the ‘peripheral and deeply rural economy’, typified by West Somerset and other parts of the county where there are few service centres;

- The rural economy is generally characterised by ageing populations, low population densities, low wages, insecure employment, small pockets of deprivation, low productivity, concentration of activity in declining sectors, a limited range of employers, and low broadband speeds;
Barriers for rural businesses often include a lack of appropriate premises, limited scope for expansion or modernisation, lack of proximity to market, lack of skilled employees, difficulties in accessing business support and inflexibility in the planning system;

A particular strength of rural areas is that they can be more enterprising. Home-working is an opportunity as ICT infrastructure continues to improve, and the conversion of farm buildings and creation of rural enterprise hubs can provide support for small businesses to stay in their ‘home’ area. Rural areas may often have more flexible and adaptable workforces, with the ability to switch job roles, reduce working hours and develop other areas of work.

Figure 5 illustrates the value of tourism in Somerset and, in particular the concentration of tourist spend in the west of the county. The areas where there is the highest proportion of employees in Distribution, Hotels & Restaurants often coincide with National Parks and Areas of Outstanding Natural Beauty (AONBs). This holds true in Somerset, with a concentration of this sector in Exmoor National Park but there are also clusters in Taunton, Yeovil and Glastonbury.

Figure 5: Value of Tourism

Source: SEAT Tool, South West Observatory/SQW Consulting.

2.3.2 Context

The policy theme paper identified the following issues:

- For most rural areas recovery from the recession is underway;
Potential growth sectors for rural areas include manufacturing, care, land-based industries, digital and creative industries, low carbon environmental goods and services, tourism, and business and professional services; and

The paper questioned the assumption that the aspiration for economies – especially rural economies – should be solely about growth and competitiveness. Rather, building on evidence from the Commission for Rural Communities\(^5\), it advocates an aspiration for a more holistic ‘economic wellbeing’ approach, incorporating the extent to which needs can be met in sustainable ways.

2.3.3 Evidence

In analysing the rural economy in more detail, c4g identified that:

- Taken from the perspective of Rural/Urban Definitions where ‘large market towns’ fall within the rural category:
  - The majority of Somerset is classified as rural;
  - In population terms, the county is virtually 50% urban and 50% rural;
- On job density (based on ABI analysis):
  - There is a significantly higher job density in urban areas and towns than in smaller settlements;
  - There is a ‘halo’ of lower job density in the commuter belt around towns, but job density increases in the countryside that is more distant from towns;
- With regard to sectoral employment, the make up of employment in rural and urban areas is not greatly different. Employment in the agriculture, energy and water sectors is higher in the smaller settlements;
- Working from home is more significant beyond the immediate hinterlands of the larger towns. There is a similar pattern in the percentage of all enterprises that are sole traders/partnerships;
- Although rural areas are often identified as having a low skills base, this is not the case in Somerset. The percentage of those with no or low qualifications is highest in the urban areas and lowest in the smaller settlements; and
- According to the Index of Multiple Deprivation 2007 (IMD), deprivation is mainly concentrated in the larger towns (with a few rural exceptions) but is also higher in the west of the county (and further west into Devon). A substantial component of rural deprivation is due to difficulties in accessing housing and services.

2.3.4 Key Issues

The theme paper focuses on three key areas for the rural economy. Firstly, on future prospects for rural economies in Somerset, the paper highlights the importance of building on the strengths of Somerset rural areas rather than complete re-structuring. The reasons for this are:

- There are well established challenges in rural economies (such as access to fast broadband, training and business support and planning issues) but this does not mean that rural economies are ‘broken’ – they are simply ‘different’;
- Most of Somerset’s rural areas will never be able to match the competitiveness and productivity of urban areas within the county – these are, therefore, false goals and the aspiration of ‘economic wellbeing’ is more important;

\(^5\) Commission for Rural Communities (July 2010), Recovery and Growth in Rural England.
There are examples (in Exmoor National Park) of developing tourism and recreation, agriculture, food and renewable energy as the basis for sustainable economic development.

Secondly, the transition to a low carbon economy has implications for rural economies in Somerset. There are opportunities for key sectors such as land-based industries and renewable energy, and ‘localisation’ and self-reliant sustainability will come more to the fore.

Thirdly, and finally on key interventions, the paper:
- Emphasises the importance of building on existing strengths;
- Identifies the low carbon economy as a key opportunity;
- Identifies some threats, especially the decline in manufacturing and the effect of public sector cuts on employment and goods and services;
- Identifies the need for geographic differentiation as not all rural economies’ needs are the same; and
- Identifies specific areas of intervention, including ‘fit for purpose’ business support, business to business mentoring, access to suitable premises, forward looking planning policy and good quality broadband.

Summary – Economic Geographies
- Somerset covers an area of 3,450 km² and has relatively low population densities which can be challenging for economic development. The county is made up of a mix of settlements from larger towns to market towns and rural areas to deeply rural communities.
- Although there are some functional linkages within Somerset along the M5 corridor, Somerset and its districts’ economies are relatively self-contained.
- The economy is not a single entity but rather several different and distinct economies; a strength in that it is not reliant on one single employment centre, a weakness in that there is little flexibility in local economies.
- Somerset has linkages with other areas outside the county – Exeter/Devon, Bath, Bristol, North Somerset, Dorset, Wiltshire.

Policy theme - An aspiration of ‘economic wellbeing’ rather than simply ‘growth’ should be considered. Building on the strengths of rural economies and key opportunities would be preferable to complete re-structuring.
3 People and Communities

3.1 Demography and Geography

According to the ONS mid year population estimates (2008), the population of Somerset was 525,800. South Somerset was the largest district (158,700) and West Somerset the smallest (35,500). The population increased by 3.6% during the period between mid 2003 and 2008. This growth rate was higher than the national average (3.2%) but lower than the regional average (4.1%). The strongest growth was in Mendip and Sedgemoor, the lowest in West Somerset. Somerset has an ageing population, with 29% of residents expected to be aged 65 or over by 2028. Figure 6 below illustrates the concentrations of residents of pensionable age, with two main groupings around Exmoor National Park and the north coast of the county, and along the South Somerset/North Dorset border.

Figure 6: Population of a pensionable age

Somerset’s non-white population is very small. In 2007, 3.3% of Somerset’s population was classified as ‘non-white’ compared with 4.7% in the South West and 11.8% in England (Local Futures, February 2010). However, the European Union enlargement in 2004 led to an influx of migrant workers from Eastern Europe which increased the diversity of Somerset’s population.

According to the Office for National Statistics (ONS) 2008 based population projections, overall population growth in Somerset is expected to be 76,600 between 2008 and 2028.
The highest rate of growth is expected in Sedgemoor and the lowest in West Somerset. The projections indicate an ageing population in Somerset over the next two decades. The population growth is expected to include:

- 4.6% increase in the numbers of children aged 0-14 years. This is lower than the 13% growth anticipated at regional and national level;
- 1.1% growth in the working age population aged 15-64 years (based on current retirement age). Growth in Sedgemoor and Taunton Deane will offset by a decline in the working age population in West Somerset; and
- 64.2% increase in those above retirement age. This is higher than the forecast rates of increase in the region (55%) and nationally (50%). By 2028, 40% of West Somerset’s population is expected to be aged 65 and over, the highest of all the districts.

3.2 Labour Market

Analysis by Local Futures (February 2010) revealed that Somerset’s labour market was performing above the national average, resulting in a ranking of 7th out of 53 sub-regions. Unemployment rates have been low and employment rates high compared with regional and national averages. That said, West Somerset performs poorly and is ranked 335th out of 408 districts, placing it in the bottom 20% overall.

According to the ONS analysis of business demography (2009), compared with regionally and nationally, Somerset’s occupational structure has:

- A high proportion of the workforce in managerial and senior officer roles (15%), skilled trades and occupations (13%) and professional and technical occupations (11.9%);
- A below average proportion of the workforce in professional occupations (10.7%), reflecting an under representation in the business sector;
- Become more service based in line with national trends; and
- Significant growth in personal service (including personal care) occupations (1.9%) and skilled trade occupations (1.4%).

Figure 7 illustrates that those of working age in Somerset appear to be concentrated in the towns and a central strip of the county running from south-west to north-east, following the line of the M5. This map mirrors to some extent Figure 6, in that areas which have high numbers of people of a pensionable age tend to have less people of a working age.
3.3 Earnings

As Table 2 illustrates (based on the Annual Survey of Hours and Earnings, 2008), average earnings in Somerset and in four of the five districts are currently below the regional and national averages. Only in West Somerset are earnings above the national average, but this is based on a relatively small sample and may be influenced by a small number of high earners.

Table 2: Average earnings

<table>
<thead>
<tr>
<th>LAD</th>
<th>Average (mean) workplace based gross weekly earnings 2008 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Somerset</td>
<td>£506.60</td>
</tr>
<tr>
<td>South Somerset</td>
<td>£420.00</td>
</tr>
<tr>
<td>Taunton Deane</td>
<td>£398.50</td>
</tr>
<tr>
<td>Mendip</td>
<td>£386.40</td>
</tr>
<tr>
<td>Sedgemoor</td>
<td>£354.70</td>
</tr>
<tr>
<td>Somerset</td>
<td>£400.36</td>
</tr>
<tr>
<td>South West</td>
<td>£431.10</td>
</tr>
<tr>
<td>Great Britain</td>
<td>£456.12</td>
</tr>
</tbody>
</table>
3.4 Education

Local Futures’ report (February 2010) assessed Somerset as relatively good on education and skills, ranking it 15th out of 53 sub-regions. However, there remain some weaknesses to be tackled.

On educational attainment (DCSF, 2010, reported in Ekosgen, June 2010):

- Although performance in Somerset at GCSE has improved over the past decade (by 14%), it has not improved at the same rate as nationally (24%) and lies below performance regionally and nationally;
- In terms of GCSE achievement for Maths and English, although closer to regional and national rates than GCSE levels overall, Somerset still lags behind; and
- Given the emphasis in Somerset on the knowledge economy, it is important to view performance in terms of the number of GCSEs gained in science subjects. Despite significant progress regionally and nationally on improving GCSE rates in science subjects, Somerset lags behind regional and national rates for GCSEs in science attainment and its attainment level has in fact decreased over the period 2005/6-2008/9.

3.5 Young People’s Participation in Learning

Table 3 illustrates that Somerset performs below the national picture in terms of young people’s participation in education and work based learning (WBL). It is important to note the low proportion of Somerset’s young people who attend full time maintained schools compared with regionally and nationally, and the higher proportion at Further Education (FE) colleges. This shows the important role that colleges have in the county. It is also notable that 11% of 16-17 year olds attend independent schools.

Table 3: Participation in Education and WBL of 16 and 17 Year Olds, 2007

<table>
<thead>
<tr>
<th>Participation in Education and WBL of 16 and 17 year olds, 2007 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somerset</td>
</tr>
<tr>
<td>Full-time Maintained schools</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>28</td>
</tr>
<tr>
<td>27</td>
</tr>
</tbody>
</table>


3.6 Skills

Figure 5 illustrates qualification levels for the working age population in Somerset. Of note here, given Somerset’s aspiration for a high value economy, is that the skills profile is ‘mid range’, i.e. it has a lower proportion of people qualified at Level 4 and above than regionally or nationally.
The Higher Education Funding Council for England’s (HEFCE) evidence base (2008) for the ‘New University Challenge’ defined much of Somerset as a national ‘coldspot’ for higher education accessibility. Figures 9 and 10 illustrate the benefit to be derived from investment in higher education provision, particularly in Somerset.

Figure 9 outlines HEFCE’s detailed assessment of the benefit derived from a local provision threshold of 1,500 undergraduate entry places, with a benefit population that is in the young age group, has any level of highest qualification, and lives in any type of area.

Figure 9: HEFCE Evidence Base – Young Age Group
Figure 10 outlines HEFCE’s detailed assessment of benefit derived from a low local provision threshold of 1,500 undergraduate entry places with a benefit population that is in the mature age group, holds a highest qualification in the lower level group, and lives in any type of area.

The Leitch Review of Skills (2006) concluded that, by 2020, 90% of adults should be qualified to at least Level 2 and 40% qualified to Level 4 and above. In order to meet Leitch targets for a competitive workforce, Somerset needs to increase the current proportion of residents qualified to degree level and above by 17.2 percentage points.

3.7 Skills Shortages and Gaps

The 2009 National Employer Skills Survey indicated that:

- There were around 695 skills shortage vacancies in Somerset, equating to approximately 11% of all vacancies in the South West – a relatively large share of the regional total; and
- 17.9% of employers in Somerset reported skills gaps. The number of staff reported as having skills gaps (and therefore not fully proficient at their job) was 20,379 compared to 9,296 in 2007. Somerset had the highest increase in skills gaps of all county/unitary authority areas in the South West.
3.8 Economic and Social Exclusion

According to Local Futures (February 2010), overall deprivation in Somerset is well below the national average, with the county ranked 35th out of 47 sub regions. However, this county level picture masks concentrated pockets of urban and rural deprivation. The Index of Multiple Deprivation (IMD) considers deprivation across a range of indicators with assessment presented at local authority and Lower Super Output Area (LSOA) level. Table 4 shows limited signs of deprivation at the local authority level, with only two of the five districts falling into the most deprived 50% of English districts. Of these, West Somerset is the most deprived, falling within the most deprived 30% of all local authority areas.

Table 4: Local authority deprivation scores

<table>
<thead>
<tr>
<th>District</th>
<th>Rank (1 = most deprived) from 354</th>
<th>Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mendip</td>
<td>217</td>
<td>61</td>
</tr>
<tr>
<td>Sedgemoor</td>
<td>169</td>
<td>48</td>
</tr>
<tr>
<td>South Somerset</td>
<td>237</td>
<td>67</td>
</tr>
<tr>
<td>Taunton Deane</td>
<td>204</td>
<td>58</td>
</tr>
<tr>
<td>West Somerset</td>
<td>106</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Index of Deprivation, 2007

Of Somerset’s 327 LSOAs, 15 fall within the 20% most deprived in England. Figure 11 shows that the most deprived areas are spread across Somerset, with concentrations in the key towns and settlements but also in the deep rural far west of the county.

Figure 11: Patterns of deprivation across Somerset

© Crown Copyright. All rights reserved 100038382 (2010) Somerset County Council
The underlying deprivation evident in West Somerset, where all but one of the LSOAs are within the most deprived 50% nationally, is not necessarily the most intense level of deprivation, but there is clearly a pervasive pattern across the whole district.

The Index of Multiple Deprivation is composed of 7 sub-domains or interest groups. The ‘housing and access to services’ domain in particular reveals specific challenges for Somerset, as 23% of the county’s LSOAs fall in the 20% most deprived nationally. This illustrates the differing character of rural as opposed to urban deprivation.

3.9 Policy Theme: Worklessness

3.9.1 Background

Worklessness is a less familiar term than unemployment to describe those without work. It is used to describe all those who are out of work but who would like a job. It includes:
- Those who are economically active but unemployed; and
- Those who are economically inactive but want to work.

Figure 12 provides an illustrative summary.

Figure 12: Defining Worklessness

3.9.2 Context

In March 2010, the Somerset Employment and Skills Working Group developed an interim Work and Skills Plan to identify key actions to tackle worklessness within the county. Whilst the policy context for this Plan has and will continue to change with the new Coalition Government (e.g. future policy on ‘making work pay’), the evidence base remains valid.
3.9.3 Evidence

Although Somerset performs well compared to the South West and nationally on unemployment and economic activity rates, there are some important issues to bear in mind:

- There are district variations in economic (in)activity rates:
  - Although four of the five Somerset districts had higher economic activity rates than nationally, West Somerset’s was lower (76.6% compared to an England average of 79%);
  - On the male/female split, in most areas female economic inactivity is much higher than male economic inactivity however:
    - In Taunton Deane it is virtually identical; and
    - In West Somerset, more males are economically inactive. A third of males of working age in West Somerset are economically inactive;
- The IMD employment sub-domain (comprising figures for unemployment benefits and incapacity benefit) identified that Somerset’s 10 Lower Super Output Areas in the most deprived 20% nationally fell across all five of the Districts: 1 each in Mendip, Taunton Deane and West Somerset; 3 in Sedgemoor; and 4 in South Somerset – hence a need to tackle rural as well as urban worklessness;
- Of those people who are economically inactive in Somerset, 74.3% do not want a job. Of those who do, the largest groups are those not working due to long term illness or disability or those who are looking after a family/home;
- Unemployment is rising. In common with other parts of the UK, unemployment in Somerset has risen since mid-2008. Although unemployment rates in four of the five districts remain relatively low, Sedgemoor has a rate of 10.9% compared to 7.1% nationally;
- Long term unemployment (more than 12 months) as a proportion of all unemployment (November 2009) was below regional and national averages in all of the five districts. However, there is evidence of increasing long term unemployment (often referred to as a hardening of unemployment) since the end of 2008;
- Those in lower skilled occupations are more likely to be JSA claimants than those in higher skilled occupations; and
- Although rates of young people who are not in education, employment or training (NEET) are lower than regional and national levels, Somerset has seen a recent increase in NEETs of 0.6 percentage points (3.8% to 4.4%) during 2008/9.

Analysis carried out by Oxford Economics (2010) produced projections of how the economy of the South West and its sub-regions might look as they recover from the recession. Data for Somerset, illustrated in Figure 13, shows that unemployment rates within the county are projected to continue to rise until 2011, when they will peak and begin to decrease. Rates are expected to reach a more ‘normal’ level in around 2016, although they are unlikely to equal the very low level of unemployment witnessed during the economic boom years in the middle part of the decade.
3.9.4 Key Issues

The Work and Skills plan identified several areas of market failure:

- **Demand side issues:**
  - Not enough appropriate jobs;
  - Labour market demand now and in the future – the expectations, in particular, of public sector job losses and the effect on the county will require a response that ensures job growth in other parts of the economy; and
  - Where there are jobs, ensuring Somerset residents fill them;
- **Supply side issues:**
  - Link between low skills/churn/financial (dis)incentives;
  - Personal issues – e.g. aspiration, motivation, skills, confidence;
  - Perceptions of available employment opportunities;
- **Institutional issues:** Transport, Housing and Care (Childcare6/dependant care).

Figure 14 summarises the proposed actions to tackle worklessness in Somerset.

---

6 Childcare issues are explored in depth in the Somerset County Council Childcare Sufficiency Assessment 2010, which can be accessed [here](#).
Summary – People and Communities

- Somerset’s population is 525,800 (2008) and is expected to grow by 76,600 by 2028. The highest levels of growth are expected to be in Sedgemoor, the lowest in West Somerset.
- Somerset has a low proportion of its population from minority ethnic communities.
- The population of the county is ageing, with West Somerset having the highest proportion of residents aged over 65.
- Somerset is a low wage economy and a low proportion of the workforce are in professional occupations. Sedgemoor has the lowest earnings of the districts.
- The county has low numbers of young people participating in education/work based learning and lags behind regional and national rates for Key Stage 4 and GCSE attainment. Somerset needs improvements to its skills base especially at higher level, and is currently recognised as a ‘coldspot’ in terms of higher education provision.
- Somerset has a high proportion of the South West’s reported skills shortages and the highest level of growth in skill gaps of all areas in the region.
- Overall, deprivation levels are low, but there are pockets of rural and urban deprivation across the county.

*Policy theme* - Somerset has high economic activity rates and low unemployment rates. Despite this, worklessness is a growing issue which may be exacerbated by public sector expenditure cuts and needs to be tackled in urban and rural areas.
4.1 Economic Productivity - Gross Value Added (GVA)

Somerset records below average levels of productivity, ranking 34th out of 53 sub regions (Local Futures, February 2010). GVA is the generally accepted measure of the value of goods and services produced in an area, industry or sector, and it is commonly used as a comparator between economies. GVA per full time equivalent job (FTE) is a good indicator of the relative productivity of local economies. As Figure 15 illustrates, there is a widening gap between GVA per FTE in Somerset compared with national and regional figures.

Figure 15: GVA per full time equivalent job (FTE)

Projections by Oxford Economics show 3 possible scenarios for GVA growth across the South West up to 2030. Taking the ‘central’ forecast for economic growth, GVA per head dips sharply in 2010 and is projected to gradually improve over the next 5 years and beyond, as recovery from the downturn becomes established. The remaining 2 scenarios project a stronger and a weaker possible recovery trend, but GVA growth in both cases is expected to increase steadily.

Figure 16 illustrates the central projection for GVA growth in Somerset.
4.2 Employment

Statistics for employment are based on 2008 figures and so do not reflect the full impact of the recession. According to Annual Business Inquiry (ABI) data, employment in Somerset in 2008 was 211,500, a 20% increase compared with ten years before. This was consistent with regional trends. The main driver was an increase in population with the main component being inward migration of working age people. Figure 17 shows the total employment by district over time. The greatest overall percentage increase was experienced in Sedgemoor, which saw total employment grow by 24% between 1998 and 2008, while West Somerset witnessed much more constrained economic performance with an increase in employment of only 2% over the same period.
The Annual Population Survey (Jan-Dec 2008) shows that Somerset has slightly higher levels of part-time working than England (27.1% and 23.6%). Within the county, levels are highest in Taunton Deane and West Somerset, both at 29.4%.

Figure 18: Projected employment trends
According to projections by Oxford Economics (2010), the total number of jobs in Somerset is expected to grow by 35,500 (14%) between 2010 and 2030, from 262,100 to 297,600 (Figure 18). District level projections were not produced as part of the Oxford Economics work due to concerns about their validity for small areas – additional work would be required at this level to ensure the robustness of the figures. However, on the basis of the county level forecast, if the distribution of jobs across the Districts remained the same, job growth would be as outlined in Table 5. This estimate does not take account of the variation in sector make-up across the different areas of Somerset and is provided as an indication only. More work is required to better understand the projected trends below county level.

Table 5: Estimated employment growth by district 2010-2030

<table>
<thead>
<tr>
<th>District</th>
<th>Percentage of Somerset jobs 2008</th>
<th>Total projected employment growth 2010-30 (jobs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mendip</td>
<td>18.8%</td>
<td>6,685</td>
</tr>
<tr>
<td>Sedgeemoor</td>
<td>18.7%</td>
<td>6,652</td>
</tr>
<tr>
<td>South Somerset</td>
<td>31.7%</td>
<td>11,240</td>
</tr>
<tr>
<td>Taunton Deane</td>
<td>25.5%</td>
<td>9,053</td>
</tr>
<tr>
<td>West Somerset</td>
<td>5.3%</td>
<td>1,870</td>
</tr>
</tbody>
</table>


4.3 Sectoral Structure

4.3.1 Location Quotient

Table 6 shows the Location Quotients for employment in Broad Industrial Groups for Somerset and its five districts, compared with England. The Location Quotients demonstrate intensity of employment compared to the England average. Those sectors/areas that have a higher than average employment in the sector compared to the England average have been highlighted in blue.

Across Somerset, the three industrial groups with the strongest presence relative to England are energy and water, manufacturing and agriculture and fishing. Also showing comparative strength are construction, distribution, hotels and restaurants (showing the importance of tourism to the Somerset economy, especially in West Somerset), and public administration, education and health (which encapsulates elements of the care sector). Three sectors show a consistent weakness relative to the England average across the county: transport and communications; banking, finance and insurance; and other services.
Table 6: Location Quotients for Broad Industrial Classifications

<table>
<thead>
<tr>
<th>Industry</th>
<th>Mendip</th>
<th>Sedgemoor</th>
<th>South Somerset</th>
<th>Taunton Deane</th>
<th>West Somerset</th>
<th>Somerset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>0.62</td>
<td>1.07</td>
<td>0.92</td>
<td>1.96</td>
<td>2.36</td>
<td>1.24</td>
</tr>
<tr>
<td>Energy and water</td>
<td>2.44</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>1.67</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.37</td>
<td>1.42</td>
<td>2.07</td>
<td>0.76</td>
<td>0.53</td>
<td>1.39</td>
</tr>
<tr>
<td>Construction</td>
<td>0.87</td>
<td>1.26</td>
<td>1.21</td>
<td>1.05</td>
<td>0.99</td>
<td>1.10</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
<td>1.08</td>
<td>1.08</td>
<td>0.97</td>
<td>1.07</td>
<td>1.62</td>
<td>1.08</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>0.69</td>
<td>0.71</td>
<td>0.59</td>
<td>0.77</td>
<td>0.43</td>
<td>0.67</td>
</tr>
<tr>
<td>Banking, finance and insurance, etc (SIC J,K)</td>
<td>0.58</td>
<td>0.55</td>
<td>0.49</td>
<td>0.63</td>
<td>0.34</td>
<td>0.54</td>
</tr>
<tr>
<td>Public administration, education &amp; health (SIC L,M,N)</td>
<td>1.07</td>
<td>1.06</td>
<td>0.85</td>
<td>1.46</td>
<td>1.04</td>
<td>1.10</td>
</tr>
<tr>
<td>Other services (SIC O,P,Q)</td>
<td>0.98</td>
<td>0.81</td>
<td>0.67</td>
<td>0.87</td>
<td>1.01</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Source: Annual Business Enquiry – workplace analysis by employment. ONS Crown Copyright Reserved [from Nomis on 28 January 2010]

* ABI data flagged as confidential. Grey – Location Quotients above 1.

Figure 19: Employees in public administration, education and health

Source: SEAT Tool, South West Observatory/SQW Consulting.
Figure 19 shows where there are concentrations of people employed in the public sector (the darker the shading, the higher the percentage of people employed in the sector). In Somerset, high levels of public sector employment are particularly evident in Taunton, Bridgwater, Glastonbury and Street.

This suggests that public sector cuts could have wide and far reaching implications for Somerset. The map shows high concentrations of public sector employment, which tend to be urban areas. However the ripple effects may occur in rural areas, where some of these workers may live, and also might be felt in other sectors through public sector supply chains. In particular, the removal of bus subsidies is likely to have a disproportionate impact on rural areas, making some routes unsustainable and further reducing or eliminating already scarce public transport in some areas.

4.3.2 Sectoral Growth/Decline

The ten years since 1998 have seen a significant change in the industrial profile of Somerset and its districts. Table 7 shows a number of significant key changes:

- An increase in the financial services sector in terms of both employment and workplaces;
- An increase in the number of construction 'workplaces' and with a corresponding, but smaller scale, increase in employment;
- A significant drop in employment within manufacturing over this time (-30%), although this is not matched by a fall in workplaces, where the decrease has only been -1.2%. Analysis by size of company reveals that within the manufacturing sector, the majority of jobs have been lost in larger companies.

NB. The figures for agriculture are excluded from this section as ABI does not give the full picture for agricultural employment – see Section 4.3.4 for further information.

| Percentage change in number of workplaces and employment 1998-2008 |
|---------------------------------|--------------------------|--------------------------|
| Energy and water                | -30.00%                  | -14.74%                  |
| Manufacturing                   | -1.20%                   | -30.05%                  |
| Construction                    | 31.71%                   | 10.44%                   |
| Distribution, hotels and restaurants | 3.62%                   | 25.69%                   |
| Transport and communications    | 1.87%                    | 15.65%                   |
| Banking, finance and insurance, etc (SIC J,K) | 66.97%                   | 70.01%                   |
| Public administration, education & health | 22.25%                   | 36.97%                   |
| Other services                  | 14.77%                   | 46.57%                   |

Source: Annual Business Inquiry – workplace analysis by employment and data units. ONS Crown Copyright Reserved
4.3.3 Future Prospects for Sectors

Figure 20 illustrates sectoral employment projections based on Oxford Economics’ (2010) analysis. This analysis shows that current trends are likely to continue with a steady increase in employment in distribution/hotels. The business and financial services sector is forecast to see the most rapid growth, with employment in this sector expected to increase by around 10,000 by 2022. At the same time, employment in the manufacturing sector is forecast to continue to decline to just over 20,000 by the same year. For the public sector it is predicted that employment would dip until 2013, following which the sector is then expected to grow, primarily due to demand for health/social care services.

Figure 20: Projected employment by sector
### 4.3.4 Sectors Summary

Table 8 outlines a summary of sectoral information relating to Somerset. It includes, for each sector, general trends, workplace and employment structure, forecasts and key issues. This is based on analysis by Ekosgen (June 2010), the South West Observatory (August 2010 a and b) and Oxford Economics (June 2010).

#### Table 8: Summary of sectoral information

<table>
<thead>
<tr>
<th>Sector</th>
<th>General Trends</th>
<th>Workplace and Employment Structure</th>
<th>Forecasts</th>
<th>Key Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Fishing</td>
<td>Based on ABI sources employment was 5,500 in 2008. This represented 2.6% of employment in the county. This was a slight reduction from 1998 when employment was 5,700. NB. This excludes some farm based agricultural jobs. As would be expected most employment is in rural areas, particularly in the east and south of Somerset.</td>
<td>Using South West Regional Accounts gives a fuller picture of employment in primary industries (including agriculture and fishing but not forestry). This shows employment as 12,147 in Somerset in 2008 representing 5.4% of total employment - a reduction from 1998 when employment was 12,552.</td>
<td>Over time it is anticipated that the agricultural sector will decline</td>
<td>Decline represents a potential threat to the economy.</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>With employment at 1,800, the sector makes up 0.9% of total employment in the county as at 2008. This was a slight reduction from 1998 when employment was at 2,000.</td>
<td>From 1998-2008 there appeared to be a 25% reduction in workplaces (ABI). However, numbers are very low so this data should be interpreted with caution.</td>
<td>The development of Hinkley Point C is likely to have a positive impact on the Energy sector.</td>
<td>The development of Hinkley Point C represents a major opportunity for developing the low carbon economy (e.g. See also construction and manufacturing).</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Manufacturing base has performed more robustly compared to regional and national performance. Manufacturing employment declined since 1998 but levelled off from 2005 – recent 2008 fall due to recession. Spatial focus on M5 corridor, particularly Bridgwater and south/east Somerset (especially Yeovil).</td>
<td>Total number of workplaces was static during 1998-2008 though employment decreased. Continues to provide high levels of full time employment (90% of sector) with jobs often being well skilled with high wages.</td>
<td>Continued contraction in manufacturing nationally and regionally. Forecast for Somerset also shows projected decline.</td>
<td>Strong manufacturing base can be a strength (strong base e.g. Yeovil) or weakness - vulnerable to contraction. Hinkley Point C may offer opportunity to manufacturing supply chain as will other low carbon opportunities.</td>
</tr>
<tr>
<td>Construction</td>
<td>Employment in 2008 was 9,366, a reduction from the previous year of 10,492 – this is a likely indicator of the onset of recession. Despite challenges arising from the economic downturn, construction remains a significant component of Somerset’s economy.</td>
<td>Although employment decreased, there has been a 32% increase in workplaces since 1998 characterised by a shifting workforce profile towards micro and small businesses.</td>
<td>Moderate recovery is expected after 2010, ranging from 0.6%-1.3% per annum. Construction Skills do not anticipate growth until 2013.</td>
<td>Hinkley Point development could provide substantial benefits. Construction period is approximately 8 years, peak workforce 4,000, 65% could be Somerset based. This could be ‘boom and bust’ scenario or could act as hub for future similar projects. Cuts in Government capital funding for building projects/maintenance are likely have a knock-on impact on local construction firms.</td>
</tr>
<tr>
<td>Sector</td>
<td>General Trends</td>
<td>Workplace and Employment Structure</td>
<td>Forecasts</td>
<td>Key Issues</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
<td>High predominance of this sector in Somerset, linked to the importance of tourism. 2008 Value of Tourism report shows the importance of tourism to Somerset economy but that Somerset is well behind other areas including Devon and Cornwall on the scale of the industry. West Somerset has a high reliance on this sector though relatively low value in terms of visitor spend. Employment increased by 12,000 during 1998-2008. The sector has high levels of seasonal and part time staff, reflected in relatively low levels of full time employment and high levels of female employment,</td>
<td>Steady increase in employment in sector in projections to 2022 although short term job losses in distribution may present an issue.</td>
<td>Important sector in county. Responsive to wider economic stimuli as largely dependent on discretionary spend. Recession has and will have an impact. Taunton in particular could suffer. Need to ensure retail offer of Taunton and Bridgwater are complementary.</td>
<td></td>
</tr>
<tr>
<td>Transport and communications</td>
<td>Continues to be a relatively small employment sector. Substantial developments e.g. Morrisons Distribution Centre at Junction 23 will create significant additional employment. Sector grew by 2% during 1998-2008. Heavily reliant on full time male labour.</td>
<td>Expected to remain around current levels BUT doesn’t take account of any local developments.</td>
<td>Strategic position of Bridgwater and Taunton represent opportunities for logistics.</td>
<td></td>
</tr>
<tr>
<td>Banking, finance and insurance</td>
<td>Growth during 1998-2008 but sector still only accounts for 15% of employment in Somerset. Contraction since 2005 in all districts except South Somerset. Number of workplaces has grown significantly from 1998-2008. Represents high value service employment which tends to be higher paid and full time. Pockets of employment can be found across Somerset but there are no obvious spatial patterns in these sectors.</td>
<td>Expected to grow in future (30% by 2022) with employment in Somerset expected to reach 50,000.</td>
<td>An important sector for future economic growth, but there is competition from Bristol and Exeter. Availability of employment land will be crucial. Taunton has the potential to act as a hub for sector development.</td>
<td></td>
</tr>
<tr>
<td>Public administration, education and health</td>
<td>The sector accounts for 29% of all employment in Somerset. Growth has been consistent since 1998 – 2008, with growth of 16,000 more people employed in sector. Taunton Deane is heavily reliant on this sector – it represents well over one third of employment in the district. High spatial focus also in Sedgemoor and Mendip, particularly Bridgwater, Glastonbury and Street. There are around 3,400 Armed Forces personnel currently stationed in Somerset, in Taunton Deane and South Somerset. Three quarters of the sector is female. Although not exclusively so, employment includes a large number of low paid and low skill occupations and a high level of part time employment.</td>
<td>Forecast shows dip to 2013 followed by growth, largely as a result of demand for health and social care services.</td>
<td>Public sector cuts represent significant threat especially to Taunton Deane in the short to medium term. Growth prospects for health and social care in the longer term. The impact of defence spending cuts on Taunton and Yeovil, where Armed Forces personnel are currently stationed, remains to be seen.</td>
<td></td>
</tr>
<tr>
<td>Social purpose (civil) sector</td>
<td>The ‘social purpose’ sector is a generic term to describe voluntary and community organisations and social enterprises. Partners have identified the importance of this sector in the county. As these are ‘types of organisation’ rather than broad industrial groups they are not generally included as a sector in their own right. However, analysis of this ‘sector’ has revealed that they are an important and growing contributor to the local economy. Data on employment and workplace structure is difficult to estimate for the sector but figures from NCVO (2007/8) identify that the number of voluntary organisations per 1,000 of the population is higher in all districts of Somerset than the England and Wales average.</td>
<td>Predicting the future for this sector is challenging at this time. On the one hand cuts in public sector expenditure may impact negatively. On the other hand the Government policy on ‘Big Society’ and growing health/social care needs would be an opportunity.</td>
<td>Threat – Public sector expenditure cutbacks. Opportunity – Big Society and demand for health/social care.</td>
<td></td>
</tr>
</tbody>
</table>
4.3.5 Key Sectors

Currently, Somerset has identified five key sectors as important to the economy. Three of these – advanced engineering/aerospace, food and drink and tourism are current strengths and two - creative industries and environmental technologies - are identified as potential areas for growth. Ekosgen (June 2010), utilising the South West Regional Accounts and the SIC (Standard Industrial Classification) code definitions for these sectors (and also other South West priority sectors), analysed employment change (Figure 21).

Figure 21: Employment in Key Sectors

It can be observed that by far the largest sector in terms of employment in Somerset is the food and drink sector and this has remained fairly constant in employment provided. Advanced engineering employment has fallen whilst tourism has risen. The creative sector has seen significant growth since 1998, but it still only employs just under 6,000 people (including the self-employed). Its growth took place prior to 2005, and since then it has actually reduced in terms of employment. The environmental sector has not grown in Somerset in employment terms since 1998, although there are opportunities for Somerset to grow this sector in the future.

Analysis by Ekosgen (2010) shows sectors where Somerset clearly “punches above its weight”. Where county employment is greater than 9% of regional employment the sector is relatively stronger. As expected both food and drink and advanced engineering show significant strength in employment terms, with Somerset providing over 16% and 14% of regional employment respectively. All other priority sectors are broadly in line with or below the overall employment share. Both the creative and environmental sectors have been losing ground on the rest of the region in recent years.

Figure 22 shows which sectors contribute the most to Somerset’s economy in terms of total GVA.
4.3.6 Somerset’s Sectoral Balance

A number of observations can be made regarding Somerset's sectoral structure and balance.

Focus on Low Productive Sectors

Somerset is strong on some sectors across the county that are known for their low productivity. This includes sectors such as food and drink and tourism. Food and drink is one of Somerset’s key strengths and developing this sector in future should focus on increasing levels of innovation and higher value products, building on a regional and national profile in the industry (Ekosgen, June 2010). Likewise the tourism sector is important to the economy but it faces strong competition from nearby areas such as Devon and Dorset. Significant partnership work has been in place over the years to strengthen the value of the tourism offer in Somerset and this should be built upon to ensure a quality offer that enhances the distinctive strengths of the area.

Focus on Sectors Forecast to Decline

Somerset has historical strengths in sectors that are expected to decline (Oxford Economics, 2010). The forecast decline in agriculture and fishing will have an impact on rural areas in Somerset. The forecast decline in manufacturing could have an impact on areas such as Yeovil with its advanced engineering/aerospace cluster and also Bridgwater. A major issue that will be a threat to the economy, especially in the short to medium term, is the effect of public sector cutbacks. A ‘Barometer’ by Local Futures (July 2010) shows that the average job loss in the public sector as a proportion of the overall employment base predicted for Great Britain by the year 2016 will be 2.3%. The
analysis of districts shows that the estimate for Taunton Deane (3.25-4%) is significantly higher than the national average and suggests it is one of the areas that will be hardest hit as a result of the cuts. A report by the South West Observatory (August 2010a) also identified potential risk areas around the Bridgwater, Glastonbury and Street areas due to the high concentration of public sector employment in these areas. In addition, on wider effects of public sector cuts, the South West Observatory (August 2010c) identified a range of impacts such as:

- Reduced Capital Spending – e.g. postponement of the Northern Inner Distributor Road in Taunton would put 198 jobs at risk, as well as 3,375-4,500 homes and £5.42 in developer contributions;
- Reduction in procurement/current spending – as well as the direct effect on the public sector, cuts will have a major effect on other sectors;
- Welfare reform – Vulnerable areas include Bridgwater and Taunton (given concentrations of deprivation in some communities) and Sedgemoor and West Somerset (large proportions of people claiming incapacity/severe disability allowance);
- Rural – Rose Regeneration’s Rural Vulnerability Index (see Appendix 2) suggests that predominantly rural areas have a higher proportion of public sector jobs than other areas and will be more vulnerable to cuts. According to this Index, of the 23 first tier predominately rural authorities, Somerset ranks seventh in terms of vulnerability.

Weaker on Some Sectors

Somerset is weaker on some sectors such as transport and distribution and on some sectors that are knowledge-based, such as banking/finance/insurance. The county has also been losing ground on the remainder of the region in areas such as creative industries and environmental technologies.

Addressing the ‘Problem’ by Capitalising on Opportunities

If Somerset is to address the problem of an over-reliance on sectors that have historically low productivity and those that are declining, as well as addressing weaknesses in some sectors, it will need to capitalise on potential opportunities that will help to strengthen the economy and increase its value and productivity. Four opportunities can be identified.

Firstly, the strategic position of Taunton and Bridgwater represents major opportunities for transport and communications. Secondly, provided that the county can offer attractive and suitable locations, there are opportunities for growth in banking, finance and insurance – Taunton could offer a good location for this growing sector. Thirdly, the strength of the county’s social purpose (civil) sector could have a potential benefit in realising opportunities arising from Government policy on the ‘Big Society’. Fourthly, and by far the major opportunity for the county, is the potential to become an exemplar in developing a low carbon economy. The proposed development of Hinkley Point C can act as a catalyst for this. There is the potential for a focus around the M5 corridor for energy and related sectors linked to low carbon activity. According to the sub-regional socio-economic assessment carried out by Ekosgen and ARUP (March 2010), a range of potential impacts arising from Hinkley can be identified. Examples include:
Employment impacts in terms of construction and longer term employment in high value knowledge intensive sectors;

Enterprise impacts with manufacturing and construction expected to be important sectors in terms of the nuclear supply chain. Somerset has strengths in these sectors, particularly in Sedgemoor and South Somerset. There is the potential for a nuclear/energy cluster;

Impacts on the labour market, providing a stimulus to drive up skills; and

Impacts on social inclusion could be significant. Evidence for other similar developments shows that with appropriate targeting the project could support reductions in unemployment and young people that are NEET, particularly in more deprived communities.

In addition, the focus on a low carbon economy can help boost and support lower value and declining sectors. As outlined in the policy theme paper on the low carbon economy (zero2050, August 2010) this could result in new low carbon processes for sectors as well as new low carbon products that could be delivered through sectors that are strong, or have the potential to be strong, in Somerset such as advanced engineering, creative industries, food and drink and tourism. For example:

- Biomass/food and drink – Linking Somerset’s strong food and drink sector and expertise in biomass renewable energy farms with the food and drink industry supplying feedstock to renewable energy plants to expand the biomass sector and increase the renewables capacity in the area; and
- Advanced engineering - There are opportunities to use the county’s advanced engineering strengths as a springboard for new product development of components needed for the low carbon economy.

4.4 Enterprise and Innovation

4.4.1 Enterprises

Figure 23 illustrates that Somerset has a high number of enterprises (VAT registered) compared with nationally and regionally. This can be explained by:

- Somerset having a high number of SMEs; and
- The rural nature of the county which can often result in large numbers of smaller enterprises.
Figure 23: VAT stocks

It should be noted that this data does not include those businesses that are not VAT registered. Using new data that captures all enterprises registered for Pay as You Earn (PAYE)\(^7\), it shows that overall Somerset’s total business stock rose by over 3% between 2004 and 2008, with the most recent data displaying just under 22,000 active enterprises across the county. However, this masks significant disparities in districts, with Mendip’s business base growing by almost 6% (to 5,200 enterprises) and West Somerset’s base decreasing.

According to the Annual Business Inquiry (2008):

- 86.1% of Somerset’s businesses fall into the category of 1-10 employees, a higher proportion than both the regional and England averages. West Somerset has the highest number of businesses in this category, Taunton Deane the lowest;
- 11.2% of businesses fall into the 11-49 employee category, matching the England average and lower than the regional average; and
- Only 2.3% of businesses have between 50 and 199 employees; marginally less than the regional and England averages.

Figure 24 shows that small businesses are largely concentrated in the rural parts of Somerset.

Self employment rates have increased by approximately 20% between 2005 and 2008, higher than the rate of growth in the South West (9%) and England (0%) over this period. Within the districts, there have been some dramatic increases in Taunton Deane (182%) and West Somerset (147%), but decreases in South Somerset (-18%) and Sedgemoor (-16%).

---

\(^7\) This will still not cover sole traders who operate below the VAT threshold.
4.4.2 Births, Deaths, Survival - Churn

Business births, deaths and survival rates represent the amount of ‘churn’ in an economy. Local Futures’ audit (February 2010) identified that Somerset scored very poorly on business and enterprise performance, ranking 49th out of 53 sub regions. Low levels of ‘churn’ can represent a lack of dynamism and lack of competition in an economy. During the period 2004-2008 (ONS Business Demography, 2008) there was a low level of ‘churn’ in Somerset:

- The number of businesses ‘born’ in Somerset annually fell by 12.7%. This was consistent with the regional figures but higher than nationally; potentially a symptom of the ‘credit crunch’. This was most pronounced in West Somerset, the only district to experience a fall since 2004;
- There was a fall in business deaths in line with regional and national figures. Although West Somerset has shown the best improvement in survival, it can be said that this is likely to be due to lack of competition.

Figure 25 illustrates three year survival rates, showing a better long term picture of survival. Although survival rates in Somerset are well above the national average (although behind the region) the chart clearly demonstrates the significant impact of the recession on some districts, with survival rates of businesses born in 2005 dropping considerably.
Figure 25: Business survival rates

Three Year Survival rates, Businesses Born in 2003-2005

Source: ONS Business Demography, 2008

Somerset ranked 9th highest of the 40 listed County Councils in England and Wales for rates of total personal insolvency in 2009. Taunton Deane had the highest rate and ranked 12th highest of all 37 district/unitary authorities. West Somerset had the highest rate of bankruptcy of the five Somerset districts, ranking 15th highest of all 37 district and unitary authorities (South West Observatory, August 2010b).

4.4.5 Knowledge Intensive Sectors

Table 9 presents an analysis of changes in workplaces and employment in Somerset’s knowledge intensive sectors. Across these sectors employment has grown by 41% since 1998 and the number of workplaces by 60%.

Table 9: Change in Workplace and Employment, Knowledge Intensive Sectors, Somerset

<table>
<thead>
<tr>
<th>Sector</th>
<th>Work places – 2008</th>
<th>% change since 1998</th>
<th>Employment - 2008</th>
<th>% change in Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishing</td>
<td>123</td>
<td>58%</td>
<td>625</td>
<td>-58%</td>
</tr>
<tr>
<td>Printing and related services activities</td>
<td>127</td>
<td>-22%</td>
<td>498</td>
<td>-69%</td>
</tr>
<tr>
<td>Manufacture of transport equipment</td>
<td>38</td>
<td>73%</td>
<td>5,773</td>
<td>-15%</td>
</tr>
<tr>
<td>Monetary intermediation</td>
<td>123</td>
<td>12%</td>
<td>1,411</td>
<td>-37%</td>
</tr>
<tr>
<td>Real estate activity (fee or contract basis)</td>
<td>321</td>
<td>61%</td>
<td>2,643</td>
<td>242%</td>
</tr>
<tr>
<td>Software consultancy and supply</td>
<td>482</td>
<td>45%</td>
<td>2,077</td>
<td>89%</td>
</tr>
<tr>
<td>Legal, accounting, book-keeping and auditing activities³</td>
<td>1,500</td>
<td>97%</td>
<td>5,222</td>
<td>56%</td>
</tr>
<tr>
<td>Architectural and engineering activities and related technical consultancy</td>
<td>658</td>
<td>66%</td>
<td>3,435</td>
<td>173%</td>
</tr>
<tr>
<td>Labour recruitment and provision of personnel</td>
<td>131</td>
<td>8%</td>
<td>6,465</td>
<td>364%</td>
</tr>
</tbody>
</table>

Source: ABI Workplace and Employee Analysis, 2008

That said, Local Futures’ audit (February 2010) of Somerset’s industrial structure (from the perspective of national trends in the knowledge economy) ranked Somerset 39th out

³ Other activities in this sub-sector include tax consultancy; market research and public opinion polling; business and management consultancy; and holdings.
of the 53 sub-regions. The knowledge economy accounted for 18.3% of total employment in Somerset in 2008 compared to 24.8% in Great Britain as a whole. Likewise, Geoeconomics’ analysis (July 2008) of Somerset’s economy identified a weak position in terms of the knowledge economy.

Figure 26 shows the location of knowledge intensive sectors within Somerset. There are concentrations in the east of the county and also around the Yeovil area, with its specialist functions in advanced engineering. Proximity to higher education institutions (HEIs) is often cited as a stimulating factor for the knowledge economy. Somerset’s lack of a University makes it all the more important to establish links with HEIs in surrounding areas.

**Figure 26: Knowledge economy**

![Map showing the location of knowledge intensive sectors in Somerset](image)

Source: SEAT Tool, South West Observatory/SQW Consulting.
4.5 Business Needs

As part of the SEA an online survey was distributed to businesses to identify their needs. A total of 182 businesses responded; with a response rate of 0.8% (not statistically significant at the 90% confidence level). Respondents were largely small businesses, both in turnover and employment size-band. Some key findings included:

- The top three constraints to business growth and productivity were identified as obtaining finance, market constraints or competition, and affordability of appropriate land or premises. Small office and workshop space were the most common kind of premises lacking within Somerset;
- It was felt that the Council could support business growth with faster broadband speed, better road access, increased public procurement, reduced business rates and town centre parking charges; and
- Skills shortage vacancies were reported by 14% of respondents. Vacancies requiring trade or professional skills were most common, cited by 19% of respondents.

4.6 Policy Theme: Competitiveness

Competitiveness has been identified as a key policy theme requiring additional analysis. The report by Roger Tym and Partners (August 2010) provides a full analysis of this theme. The undernoted outlines some key highlights.

4.6.1 Background

Research by HM Treasury identified five drivers of productivity which contribute to the competitiveness of an economy: Investment, Innovation, Skills, Enterprise and Competition.

4.6.2 Context

A brief description of the drivers for productivity is outlined below:

- Investment – Measured as physical capital such as plant, machinery and ICT equipment as well as ‘intangibles’ such as intellectual property;
- Innovation – The successful exploitation of new ideas through new or improved products, new processes, new marketing methods or new organisational methods;
- Skills – A skilled workforce is important for improved productivity and, in particular, higher level management skills have a high impact;
- Enterprise – Dynamic competition or ‘creative destruction’, i.e. ‘churn’. There are five key enablers: Culture of enterprise, knowledge and skills, access to finance, business innovation and the regulatory framework; and
- Competition – that drives improvements in efficiency and innovation.
4.6.3 Evidence

On Somerset’s performance in relation to the five drivers it was found that:

- **Investment** - Although there has been some major investment in recent years it has not been of a large scale;
- **Innovation** – Somerset has some very dynamic and innovative firms at the forefront of new products and services, e.g. advanced engineering. However there is a low level of knowledge transfer and knowledge sharing and Somerset lacks a higher education institution which can act as a constraint. Further Education in the area has helped fill some of this gap;
- **Skills** – There is a clear deficiency in higher level skills in Somerset;
- **Enterprise** – There are low levels of churn and a lack of dynamism, potentially due to a large number of ‘lifestyle’ businesses (but Somerset has some very dynamic small businesses that lack a high profile). Somerset has a high concentration of declining industries. Access to finance is a major issue; and
- **Competition** – Competition is generally low amongst local businesses.

4.6.4 Key Issues

The paper identified five key issues for action:

- **A higher profile for Somerset:**
  - Enhancing the inward investment activity through ‘Into Somerset’;
  - More co-ordinated joint action rather than ‘territorial competition’ between partners; and
  - Clearer information on Somerset’s economic vision and leadership;
- **Supporting growth aspirations such as addressing regulatory constraints, e.g. planning and geographic constraints including access to markets**;
- **Support for business networking especially through innovative use of IT, good broadband connection, innovative practices (e.g. creative hubs) and linkages with HEIs**;
- **Support for innovative activity through promoting growth sectors and linkages with Further Education colleges such as Somerset College’s Genesis Centre**; and
- **Labour market development and growth may be constrained by lack of suitable housing. An ‘economy led’ approach should, therefore, be established in reviewing evidence for housing targets.**
Summary – Economy, Business and Enterprise

❖ Productivity
  o Somerset has low levels of GVA per FTE when compared regionally and nationally.

❖ Employment
  o In 2008, employment in Somerset was 211,500, a 20% growth since 1998 and consistent with regional trends. The highest percentage growth was in Sedgemoor and the lowest in West Somerset.
  o Somerset has slightly higher levels of part time working than in England, with the highest levels being in Taunton Deane and West Somerset.
  o It is forecast that by 2030 there will be an additional 35,500 jobs in the Somerset economy.

❖ Sectors
  o Somerset has strengths across the county in sectors that are historically known as being low in productivity terms – food and drink and tourism. It has a high reliance on some sectors that are forecast to decline – agriculture (especially in rural areas), manufacturing (especially Yeovil and Bridgwater) and the public sector (especially Taunton).
  o Opportunities have been identified for growth in transport and communications (with Taunton and Bridgwater as prime locations), banking/finance/insurance (especially in Taunton) and the development of the social purpose (civil) sector as part of the ‘Big Society’.
  o A major opportunity for the county is in the development of the low carbon economy, with opportunities to boost sectors facing low productivity issues and decline, and Hinkley Point C acting as a catalyst for a cluster around nuclear/energy sectors.

❖ Enterprise
  o Somerset has a large number of SMEs and high levels of self employment.
  o There are low levels of business ‘churn’ particularly in West Somerset. Low levels of ‘churn’ can represent a lack of dynamism and lack of competition. Somerset overall has a weak knowledge economy but has some areas with specific knowledge economy strengths such as Yeovil (advanced engineering/aerospace) and Taunton (public sector).

Policy Theme – Overall, Somerset performs poorly in respect of the five drivers of productivity: Investment, Innovation, Skills, Enterprise and Competition.
5 Sustainable Economic Development

5.1 Transport Infrastructure

The M5 creates a major transport corridor running north to south through Somerset. The A303 corridor running eastwards provides connectivity towards London. Somerset also has mainline rail connections from Taunton to Bristol/the North and to Exeter, Plymouth and further west, and from both Taunton and Yeovil to London. However, Local Futures’ Audit (February 2010) ranked Somerset below average for levels of connectivity, placing it 43rd out of 53 sub regions.

Figure 27 illustrates the latest data on travel to work patterns from the 2001 Census. It shows that Somerset districts are relatively self-contained in terms of travel to work. Almost 90% of the workforce live and work in Somerset. At a district level this proportion ranges from 83% in Mendip to as high as 96% in West Somerset. Contained travel to work areas have a positive environmental outcome but they can reveal limitations on the opportunities for employees to progress careers and training beyond their immediate area due to poor transport infrastructure, especially in some of the more remote rural areas of the county.

Figure 27: Travel to Work Areas in Somerset

Traffic growth across Somerset has tended to closely follow trends across the wider south west, although the peaks and troughs have been exacerbated when compared to regional or national level traffic statistics. In the 2005-2009 period total traffic growth in Somerset was +3.4%. This compared with growth of +1.6% across the south west and
+0.6% across England as a whole. More interestingly, while traffic volume has fallen for the past two years at local, regional and national level, this reduction is more pronounced in Somerset, with an annual change to 2009 of -1.9% compared to -1.3% across the South West and -1% for England⁹.

Information from the 2001 census and data on traffic flows reveal that many roads are close to, or are exceeding, the vehicle numbers for which they were designed, particularly the A358 between Ilminster and Taunton, the A38 around Bridgwater, and the eastern approach to Yeovil, which are congested during busy periods. A number of schemes have been identified to improve Somerset’s transport infrastructure: The Taunton Thirdway, Taunton Northern Inner Distributor Road, A358 (Maintenance), North East Taunton Urban Growth Infrastructure, A303/A358 Improvement scheme, Yeovil Eastern Corridor Package and A38 Corridor Package Bridgwater-Taunton. The potential for these to proceed will depend on available resources.

According to the 2001 Census, three out of four Somerset residents travel to work by car or van. The proportion of people cycling to work is higher than the national average and is particularly high in larger settlements. Although passenger numbers have increased, public transport is poorly used. Accessibility is an identified problem in rural areas such as Exmoor and the Mendip Hills. Mapping of accessibility of employment centres and Jobcentre Plus services, carried out by Somerset County Council (April 2010), identifies a number of wards with limited access to these facilities including specific wards in West Somerset (e.g. Aville Vale, Brompton Ralph and Haddon, Exmoor, Old Cleeve and Quarme) Mendip (e.g. Postlebury), Sedgemoor (e.g. Axe Vale) and South Somerset (e.g. Tower). In urban areas, congestion and poor transport infrastructure are limiting opportunities for potential housing and economic growth. Low land values are also thought to contribute to this as they provide little scope for developer funded infrastructure; combined with a decline in public sector funding for transport infrastructure, there is a significant investment gap (Ekosgen, June 2010).

5.2 ICT Infrastructure

The adoption of technology by business and the provision of a modern broadband infrastructure are crucial to economic development, driving enterprise, innovation, competition, investment, business and skills development. The County Council recognises this and has run an incredibly successful Information and communication technologies (ICT) business support project between 2005 and 2008 called Connecting Somerset, which:

- Assisted 2,881 SMEs with advice, training and grants;
- Saw SMEs take 3,334 new e-adoption steps;
- Trained 2,576 people;
- Created 125 jobs;
- Generated £53m in economic output (GVA).

One of the most significant outcomes of the project was its role in lifting Somerset’s broadband take-up from the lowest in the South West at just 18%, to 47.7% - the highest in England in 2008. Market stimulation was very important in ensuring that Somerset could access broadband, and will be equally important in ensuring the future roll out of next generation broadband in the county.

⁹ Data from Department for Transport Traffic Statistics
Despite the good work carried out by Connecting Somerset and the County Council, Somerset still suffers from relatively poor broadband speeds (see Figure 28). The issue is more pronounced in rural areas. Urban areas such as Taunton, Bridgwater and Yeovil are receiving broadband services and speeds similar to those found in any other conurbations of comparable size. Improvements to broadband, and the early deployment of Next Generation Broadband, will allow our communities and businesses to access digital technologies and services that will help to reduce existing pockets of deprivation and disadvantage.

Delivering next generation broadband is not a goal in itself, but a way to fulfil the economic objectives set out in our draft Local Enterprise Partnership submission, and the economic and social objectives set out in Somerset’s County Plan and District Council plans. It is a key building block to deliver the vision set out in Somerset’s Sustainable Community Strategy of a ‘dynamic, successful modern economy that supports, respects and develops Somerset’s distinctive communities and unique environment’. Delivering next generation broadband to homes and businesses across the County will:

- Support the development of a leading-edge low carbon economy, enabling us to attract the high-tech companies, which could create a nationally significant nuclear business cluster;
- Strengthen business competitiveness and resilience, creating the conditions for new businesses to succeed and existing businesses to realise their growth potential;
- Help sustain and develop our key business clusters and sectors, and accelerate small business incubation through enabling an enhanced network of business incubation and support;
- Increase the profile of the area as a home for inward investment, helping diversify Somerset’s economic base;
- Help deliver higher skill levels and employability by enabling Somerset’s young people to access the information and opportunities offered by the internet, and help tackle the connectivity constraints that young people face in accessing college level education in Somerset;
- Support our ambitions to increase university level provision in Somerset by making it viable to develop virtual and e-learning materials that can be accessed in homes and businesses;
- Unlock growth potential in our major towns, including Taunton, Yeovil and Bridgwater, and by enabling greater home and flexible working, and help to make this growth more sustainable, not least through supporting the County Council’s own ‘Office of the Future’ project.
- Make life easier for residents by enabling them to access many more Council services on-line;
- Help those who need it most— for example using telemedicine and monitoring technologies to give elderly and vulnerable people the support they need to stay in their own homes for as long as possible.
- Reduce inequalities in health, wellbeing, access and education, which will help to narrow the gap by tackling the existing pockets of deprivation which exist in some of our towns and rural areas.
Figure 28: Mapping Connectivity and Demand in Somerset

SOMERSET BROADBAND SPEEDS - SUMMER 2010
5.3 Housing

There are a number of housing issues which affect Somerset, including affordability and a short supply of affordable homes, poor quality social housing, empty homes, second homes and the need to adapt homes for disabled and/or elderly people (Ekosgen, June 2010).

5.3.1 Affordability

According to the Local Futures’ Audit (February 2010), affordability of housing in Somerset is very poor, with the county ranking 43 out of 49 sub regions in England and Wales. Affordability is particularly poor in West Somerset, where the lowest quartile house price to lowest quartile earnings ratio (a measure often used to show the entry level section of the market) is 9.8 to 1, compared to 7.7 to 1 for Somerset as a whole and 6.3 to 1 for England.

The majority of houses in the county are owner occupied (76.2%), a higher level than regionally and nationally, and the area has low proportions of renting (except in West Somerset) (ONS, 2001 Census). A low level of rented accommodation is emerging as a key weakness where high house prices are making it difficult for young people to move into home ownership. Median house prices in Somerset are higher than the England level and the ratio of lower quartile house prices to lower quartile earnings has been increasing since 1997. Affordability of housing in Somerset has become an increasing
issue compared with the national picture (Ekosgen, June 2010). Second home ownership is a contributing factor in house price inflation and availability of housing, particularly in parts of West Somerset and Exmoor National Park.

The housing profile of the county indicates a higher proportion of detached and semi-detached houses than regional or national averages (especially in West Somerset). There are far fewer flats, maisonettes, apartments etc., which tend to be the most affordable and attractive to young people and those on lower incomes.

5.3.2 Strategic Housing Market Assessments (SHMAs)

Evidence collected through Strategic Housing Market Assessments (SHMAs) (summarised by Somerset Strategic Partnership, July 2009) identified two broad housing market areas in Somerset:

- Taunton – containing Taunton Deane, Sedgemoor and West Somerset; and
- South Somerset/ Yeovil.

In addition Mendip lies in the West of England housing market area and parts of West Somerset fall within the Northern Peninsula with links to Devon.

Table 10 outlines a summary of the specific housing issues identified in Strategic Housing Market Assessments (Somerset Strategic Partnership, July 2009).

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement pattern – three main centres, market towns and rural communities</td>
<td>Investment needs to reflect diversity of need, from population pressures in larger settlements through to rural affordable housing. Market towns have significant pressures but no obvious infrastructure funding route.</td>
</tr>
<tr>
<td>Largest proportional growth in three main centres</td>
<td>Investment needs to tackle infrastructure funding deficit.</td>
</tr>
<tr>
<td>Significant under occupation and overcrowding (Overcrowding high in Taunton and Bridgwater)</td>
<td>Investment needs to target overcrowded areas.</td>
</tr>
<tr>
<td>40% of private sector dwellings non-decent (Stock condition worst in West Somerset)</td>
<td>Confirms that the critical mass exists for a comprehensive regeneration and renewal programme to provide decent homes across the county.</td>
</tr>
<tr>
<td>Gap between income (low income) and house prices</td>
<td>Identifies demand for affordable housing.</td>
</tr>
<tr>
<td>Need for 2,500 affordable homes per annum – three quarters in Taunton Housing market Area</td>
<td>Need to ensure affordable housing sites come forward particularly in Taunton Housing Market Area.</td>
</tr>
<tr>
<td>Rural housing needs similar to urban areas.</td>
<td>Needs investment in rural provision as well as urban.</td>
</tr>
<tr>
<td>Varied performance in delivering housing services/ capacity constraints</td>
<td>Investment needed for capacity building and achievement of efficiencies through developing shared housing services.</td>
</tr>
</tbody>
</table>

The draft Regional Spatial Strategy had identified the need for approximately 62,900 new homes to be built in Somerset from 2006-2026 - 70% for people already living in the area and the remainder for those moving into area - with the majority to be built at Taunton, Yeovil and Bridgwater. Following the revocation of Regional Spatial Strategies there is the opportunity for local authorities to identify their own housing needs. Despite the change in responsibility for planning, the needs identified in Strategic Housing Market Assessments are likely to remain broadly the same.

The current structure and market conditions make housing a potential constraint on future economic growth in Somerset. In particular, the predominance of detached and
semi-detached houses restrict the choice of young people leaving home or moving to
the county, in terms of accessing housing at affordable levels. Prohibitive house prices
may also serve to reduce the pool of labour available to employers (Ekosgen, June
2010).

5.3.3 Gypsies and Travellers

Councils are required by law to assess the needs of Gypsies and Travellers. Somerset
County Council and the 5 District Councils are currently in the process of carrying out a
Gypsy and Traveller Accommodation Assessment (GTAA) to understand the needs of
this hard to reach group. De Montfort University were commissioned to carry the
research, working with representatives of Gypsy and Traveller communities to carry out
tailored surveys. The report is due for publication in November 2010 and will make
recommendations on the number of residential and transit pitches required to meet the
needs of the Gypsy and Traveller community.

5.4 The Natural Environment

Local Futures’ Audit (February 2010) identified that Somerset had a very good natural
environment, ranking it 10th out of 47 sub regions in England. Somerset has some of the
most diverse landscapes in the country, from the remote uplands of Exmoor to nationally
designated Areas of Outstanding Natural Beauty such as the Quantock, Blackdown and
Mendip Hills and the world-renowned wetlands of the Somerset Levels. This landscape
brings with it opportunities to utilise the natural environment and its resources to benefit
the local economy. It also presents its own economic challenges related to low
population density, and distance from major employment centres and business markets
for some parts of the county. The extent of landscape designation has also been
perceived as a barrier to economic growth, with constraints on the allocation and
development of employment space in rural areas.

5.5 Policy Theme: The Low Carbon Economy

The Low Carbon Economy was identified as a key policy theme requiring additional
analysis. The report by Mark Hodgson of Zero2050 (August 2010) provides a full
analysis of this theme. The undernoted outlines some key highlights.

5.5.1 Background

Although there is no consistent working definition of a low carbon economy, it is best
understood as a range of activities which are materially supported by the need to reduce
the release of carbon dioxide into the atmosphere, such as:

- Using fossil fuels more efficiently (such as hybrid vehicle technology);
- Preventing emissions into the atmosphere or removing carbon dioxide from the
  environment (such as carbon capture and storage facilities); and
- Supporting the transition to less carbon-intensive operations (such as carbon
  finance and carbon trading activities).\(^\text{10}\)

5.5.2 Context

The policy context for a move towards a low carbon economy is explicit in the Coalition Government’s emerging policies and in existing district strategies. Taunton Deane’s ‘Grow and Green’ strategy (March 2010)) takes a holistic approach to embracing a low carbon economy. Other strategies include low carbon approaches:

- Mendip’s focuses on sector development, e.g. tourism, in a sustainable way;
- Sedgemoor’s focus on Bridgwater as a 21st century knowledge enterprise hub and also its focus on renewable energy and low carbon technology;
- South Somerset’s strategy is in review but is likely to have strong low carbon elements; and
- West Somerset’s focus on building upon environmental assets.

5.5.3 Evidence

The evidence cited in the policy paper is summarised below:

**Somerset CO2 and the Economy:**

- Climate Change - The main effects on Somerset are likely to be flooding, hotter and drier weather, increased storms and increased soil erosion;
- CO2 and Resources - Somerset’s CO2 emissions based on end use show per capita emissions higher than the English average. Analysing Somerset’s CO2 emissions in relation to the knowledge economy, the paper identified:
  - South Somerset - high knowledge, low carbon economy;
  - Taunton Deane - low carbon but low knowledge economy; and
  - Rural Somerset’s low knowledge and high carbon economies.
- Business CO2 emissions – Somerset’s high business CO2 emissions are most likely due to its lower levels of productivity and higher than average per capita emissions; and
- Waste – Although there is a strong focus on municipal waste, the majority of Somerset’s waste is commercial.

**Low Carbon Environmental Goods and Services (LCEGS)**

- Somerset’s LCEGS sector is mainly based on mature environmental technology sectors, i.e. waste management and environmental consultancy, with a growing industry supporting energy efficiency and micro renewables;
- One of the largest potential drivers of Somerset’s LCEGS sector is Hinkley Point C;
- Somerset’s renewable energy sector is seen as a ‘Cinderella sector’ - with potential but slow impact. Large scale projects such as the Atlantic Array offshore wind farm project in the Bristol Channel present opportunities;
- Somerset has comparative advantage in some sectors that can support LCEGS, particularly biomass/food and drink and advanced engineering.
- Skills – There will be a need for an adaptation of skills to meet low carbon requirements. This will build upon expertise in the county; e.g. Bridgwater Energy Skills Centre and Somerset College’s Genesis Centre, as well the Somerset Universities Partnership Project.
Infrastructure: ICT, Transport, Rural Areas
The paper identifies the need for a low carbon perspective in addressing issues of transport infrastructure, promoting improved ICT usage and addressing the needs of the rural economy by building on existing strengths.

5.5.4 Key Issues
The paper identified 11 potential actions to address Somerset’s low carbon economy:
1. A vision and framework for decision making;
2. Developing Yeovil, Bridgwater and Taunton together as a ‘powerhouse’ to drive the low carbon economy;
3. Strengthening localised, distinct economies by developing district bio-capacity areas to support low carbon localisation and resilience;
4. Low carbon resource efficient business assessment;
5. Low Carbon Environmental Goods and Services sector analysis and development;
6. A renewable energy and energy efficiency strategy;
7. Smart ICT infrastructure;
8. Encouraging the active Somerset transition/community co-operative sector;
9. Harnessing the public sector spend and activity in Somerset;
10. Providing enhanced financial investment and business support to enable the transition of SMEs; and
11. Compiling a climate change impact and adaptation ‘hot spots’ assessment.

Summary – Sustainable Economic Development
- Somerset’s Travel to Work Areas are relatively self-contained; a strength in terms of aspirations for low carbon approaches but a weakness in terms of enabling individuals to pursue work beyond their immediate area.
- Transport infrastructure in urban areas can act as a barrier to development. Accessibility is poor in some rural areas, particularly around Exmoor and the Mendip Hills.
- Economic development could be constrained by limitations in the housing infrastructure, particularly in relation to the availability of suitable and affordable housing for the current and potential pool of labour.
- Somerset has an outstanding natural environment; a strength in terms of developing the economy through natural resources but also a potential constraint in allocation and development of employment space in rural areas.

Policy Theme – Climate change effects on the county will include flooding, hotter and drier weather, increased storms and increased soil erosion. Somerset has high CO2 emissions compared with the England average. There is the potential for Somerset to grow its low carbon economy based on Hinkley Point C and other opportunities such as renewable energy initiatives. It has comparative advantages in some sectors, such as biomass/food and drink and advanced engineering. An adaptation of skills will be needed to support low carbon approaches. A low carbon perspective should be applied in addressing transport infrastructure, ICT usage and developing the rural economy.
## 6.1 Strengths and Weaknesses

Based on the preceding chapters, Table 11 summarises Somerset’s strengths and weaknesses in terms of its economic competitiveness.

<table>
<thead>
<tr>
<th></th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Geography</strong></td>
<td>A county of many economies – no reliance on one single employment centre.</td>
<td>A county of many economies – little flexibility in local economies and labour market mobility.</td>
</tr>
<tr>
<td></td>
<td>Rural policy theme – Build on strengths rather than complete re-structuring.</td>
<td>Lack of clearly defined Somerset image and unique selling point.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low population density – a challenge for economic development.</td>
</tr>
<tr>
<td><strong>People and Communities</strong></td>
<td>High proportion of workforce in managerial/senior roles, skilled trades and technical occupations.</td>
<td>Low wage economy – especially Sedgemoor.</td>
</tr>
<tr>
<td></td>
<td>Skill levels – good at mid range</td>
<td>Low proportion of workforce in professional occupations – reflecting an under-representation in the business sector.</td>
</tr>
<tr>
<td></td>
<td>Overall deprivation levels are low.</td>
<td>Poor performance on some education indicators and low levels of higher level skills.</td>
</tr>
<tr>
<td></td>
<td>High economic activity rates and low unemployment rates compared to regional and national rates.</td>
<td>High levels of skills shortages and gaps.</td>
</tr>
<tr>
<td></td>
<td>Lower proportion of NEETs than nationally and regionally.</td>
<td>Pockets of deprivation in urban areas and rural areas.</td>
</tr>
<tr>
<td><strong>Economy, Business and Enterprise</strong></td>
<td>Employment growth – especially in Sedgemoor. Future growth predicted.</td>
<td>Low levels of productivity/GVA per FTE.</td>
</tr>
<tr>
<td></td>
<td>Location Quotient sector strengths – energy and water, manufacturing, agriculture and fishing, construction, tourism, public administration.</td>
<td>Lower employment growth levels in West Somerset.</td>
</tr>
<tr>
<td></td>
<td>Large number of SMEs, high levels of self-employment.</td>
<td>Location Quotient sector weaknesses – transport and communications, banking and finance, other services.</td>
</tr>
<tr>
<td></td>
<td>Recent improvements in knowledge economy.</td>
<td>High reliance on lower productive sectors (food and drink and tourism) and sectors in decline (manufacturing, agriculture and fishing, public sector)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low levels of churn – lack of dynamism and competition.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Still relatively weak compared to nation and region on knowledge economy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competitiveness policy theme - Overall, Somerset performs poorly in respect of the five drivers of productivity: Investment, Innovation, Skills, Enterprise and Competition.</td>
</tr>
<tr>
<td><strong>Sustainable Economic Development</strong></td>
<td>Self contained Travel to Work Areas. Positive in terms of low carbon.</td>
<td>Self contained Travel to Work Areas – A weakness in terms of pursuing employment beyond immediate area.</td>
</tr>
<tr>
<td></td>
<td>Outstanding natural environment – developing economy through natural resources.</td>
<td>Outstanding natural environment – constraint in allocation/development of employment space.</td>
</tr>
<tr>
<td></td>
<td>Low Carbon Policy theme - Strengths in some sectors for low carbon e.g. advanced engineering biomass/food and drink and Hinkley Point as a major catalyst.</td>
<td>High CO2 emissions.</td>
</tr>
</tbody>
</table>
6.2 Opportunities and Threats

Table 12 summarises those opportunities and threats facing Somerset that could impact on its economic competitiveness.

Table 12: SWOT Analysis - Summary of Somerset's Opportunities and Threats

<table>
<thead>
<tr>
<th></th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td>Government policy on:</td>
<td>Public sector cuts and effect on employment, especially in Taunton but also other parts of</td>
</tr>
<tr>
<td></td>
<td>• freeing up the market for business and skills</td>
<td>Somerset. The ability of the public sector to respond to market failure issues in the event</td>
</tr>
<tr>
<td></td>
<td>• Commitment to low carbon economy</td>
<td>of a tighter public sector purse.</td>
</tr>
<tr>
<td></td>
<td>• Big Society and opportunities for the social purpose (civil) sector;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Localism – LEPs and decentralised responsibility for some aspects of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>economic development;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Encouraging private sector leadership.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Development of Regional Growth Fund to help re-balance economy especially</td>
<td></td>
</tr>
<tr>
<td></td>
<td>given decline in public sector.</td>
<td></td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Potential for growth in some sectors such as transport and</td>
<td>Forecast decline in some sectors such as manufacturing (impact especially on Yeovil and</td>
</tr>
<tr>
<td></td>
<td>communications (Taunton and Bridgwater) and banking, finance and insurance</td>
<td>Bridgwater) and agriculture (impact especially on rural areas).</td>
</tr>
<tr>
<td></td>
<td>(especially in Taunton).</td>
<td>Squeeze on social purpose (civil) sector as a result of public sector cuts.</td>
</tr>
<tr>
<td></td>
<td>• Social purpose (civil) sector through the Big</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Society.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Potential for Somerset as exemplar in low carbon</td>
<td></td>
</tr>
<tr>
<td></td>
<td>economy given potential for Hinkley Point to act as a catalyst.</td>
<td></td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Population growth – labour pool</td>
<td>Need to balance population growth and sustainability.</td>
</tr>
<tr>
<td></td>
<td>Ageing population – high disposable income, support 'Big Society',</td>
<td>Ageing population may be a threat to labour market pool and impact on services given</td>
</tr>
<tr>
<td></td>
<td>demand for services</td>
<td>public expenditure cuts.</td>
</tr>
<tr>
<td>**Technological/</td>
<td>Potential for broadband to open up markets for</td>
<td>Effects of climate change and county infrastructure – broadband, transport, housing –</td>
</tr>
<tr>
<td>Environmental/</td>
<td>Somerset businesses</td>
<td>acting as threat to economic development.</td>
</tr>
<tr>
<td>Infrastructure**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.3 The Aspiration for Somerset’s Economy?

Before identifying future actions it is important to assess, firstly, the aspiration or vision for the Somerset economy. The Sustainable Community Strategy for Somerset (Somerset Strategic Partnership, June 2009) has the following vision:

“Our overall vision is of a dynamic, successful modern economy that supports, respects and develops Somerset’s distinct communities and unique environment.”

The existing Somerset Economic Strategy (Somerset Strategic Partnership, 2005) has a vision of:

“A dynamic, high value and leading edge economy for Somerset and the wider South West region.”
It is beyond the remit of the Somerset Economic Assessment to develop a vision or aspiration for the county, but the evidence base has pointed to some key questions which can be considered in relation to setting a vision and aspiration for the economy.

The Ekosgen study (June 2010) identified four key questions in relation to the future aspiration of the economy.

The first, and most important, in setting the aspiration is deciding on what sort of economy Somerset aspires to. The Ekosgen report identifies the issue of low productivity for Somerset and poses the question ‘does this matter?’ Likewise, some of the policy theme papers (rural economy and low carbon) pose questions in terms of the aspiration for the economy. Partners might consider if the aspiration is for:

- High Growth?
- High productivity?
- Economic well being – a wider interpretation of ‘economic’ success?
- Sustainable Economic Development?
- ‘Green’ Knowledge economy? Focus on low carbon? Or others?

The second question was in relation to the future sectoral focus in Somerset. The aspiration for the economy would need to be set within the context of vulnerabilities in terms of decline in manufacturing and agriculture and cutbacks in the public sector, as well as opportunities through growth in some sectors such as banking, finance and insurance and transport and distribution. Low carbon and knowledge-based sectors represent a major opportunity, especially though the Hinkley Point C development.

The third was around the economic geography of Somerset and the need for a potentially differentiated aspiration and response to meet the needs of different areas – key towns (Taunton, Bridgwater and Yeovil), market towns, rural areas and ‘deeply rural’/peripheral areas.

The fourth question was around the skills challenge and the need for Somerset to improve its performance in educational attainment and, in particular, in relation to higher level skills. This will be essential if it is to raise the value and productivity of its economy.

### 6.4 The Context for Action

Having set a vision and aspiration for the Somerset Economy the next stage would be to consider the strengths, weaknesses, opportunities and threats (SWOT) and identify actions that would:

- Build on strengths;
- Address weaknesses;
- Maximise opportunities; and
- Minimise threats.

Actions would also need to be prioritised based on realism and taking into account the current policy context which (as outlined in the introduction) includes:

- A tighter public sector purse whilst recognising some opportunities in the form of the Regional Growth Fund;
- A focus on removing barriers to enable the market to work;
Much smarter intervention in the event of market failure – so any actions will need to be targeted at those spatial areas, sectors and people to address market failure and achieve maximum impact; and

Shared responsibility in action, funding and resourcing between government (where required) and beneficiaries including employers/businesses.

6.5 Identifying Potential Action

Whilst not wishing to be prescriptive at this stage, as this inappropriate at a time when partners have not yet agreed the vision/aspiration, Chapter 7 highlights some potential areas for future action that could be considered and prioritised against the future vision and realism within the current political and financial context.

7 Future Action

7.1 Potential Action Areas

As a potential agenda to be discussed by partners, the following identifies potential inter-related action areas arising from the assessment of the Somerset economy. They are not listed in any priority order but rather are highlighted as areas for debate and discussion.

7.1.1 Addressing the Impact of Public Sector Cuts

The evidence shows that Somerset will be a vulnerable area in respect of public sector cutbacks. This is due to its vulnerability as a largely rural area and also specific ‘hot spots’ that are likely to be hardest hit such as Taunton Deane.

There is an opportunity through the Regional Growth Fund to develop a proposal that will support Somerset in addressing this threat through measures that will ensure the public sector gap is met by growth in the private and third sectors.

This is proposed as an ‘early win’ action. It is likely to encompass and embody a range of the actions outlined in 7.1.2-7.1.8 below.

7.1.2 A Focus on the Low Carbon Economy

A clear opportunity for Somerset is in a focus on the Green/Low Carbon Knowledge Economy. There is a need to tackle the effects and impacts of climate change as identified in the evidence base and to ensure that the county reaps benefits from growth in low carbon sectors. There is the potential for adaptation of existing sectors such as biomass/food and drink and advanced engineering and for capitalising on planned major projects such as the Atlantic Array wind farm project.

The key opportunity and area for action is in relation to Hinkley Point. Building on work done to date, this should work towards the vision that:
“The Hinkley development will act as a key driver for the achievement of a more dynamic, entrepreneurial, inclusive and sustainable economy in Somerset and the wider region.”

It should also fulfill the four economic objectives set for the project:
- To accelerate the move to a high value, knowledge based economy, including the growth of an energy, environment and related low carbon technology business cluster;
- To support a growing, highly skilled workforce which can underpin a more competitive and productive business base;
- To provide opportunities and benefits for all communities, targeting deprivation and worklessness to narrow inequalities; and
- To recognize the value of the natural environment and maintain the county’s positive image as a visitor and investment destination.

7.1.3 Sectoral Balance

Whilst not aiming for wholesale re-structuring it will be important for Somerset to achieve a sector balance that:
- Builds on opportunities arising from the low carbon economy;
- Improves productivity in some sectors, e.g. food and drink and tourism; and
- Enables the infrastructure to support growing sectors such as transport/communications and banking/finance.

7.1.4 The Higher Level Skills Challenge

Evidence has shown deficiencies in Somerset’s education levels, higher level skills base, skills shortages and gaps and issues in terms of progression towards a high level knowledge based skills economy.

7.1.5 Economic and Social Inclusion

Tackling worklessness in specific spatial areas and for communities of interest, e.g. young people, is a key area to ensure economic and social inclusion. The existing Interim Work and Skills Plan for Somerset identifies potential intervention to address market failure based on supply side, demand side and institutional issues for intervention.

In addition, on the wider issue of inclusion there is the challenge of spatial concentrations of deprivation in terms of urban and rural areas. There is the potential for capacity building and development of the social purpose (civil) sector to help address issues of inclusion and to support the ‘Big Society’.

7.1.6 Planning for the Economic Aspiration

It is proposed that the new planning responsibilities of local authorities bring with them an opportunity to encourage an economic driven planning approach which:
- Ensures that planning for infrastructure supports development of the economy;
- Removes barriers to enable the economy to work through providing appropriate transport and housing infrastructure;
- Recognises the different economic geography of the area:
The need for appropriate infrastructure in the towns to achieve regeneration aspirations (Project Taunton, Bridgwater Challenge and Yeovil Vision); and

Developing the rural economy by building on strengths, addressing the housing issue and providing support through, for example, live-work units, ‘the ‘Homes on Farms’ initiative.

The consultation process for the Somerset Economic Assessment identified a potential early action in terms of mapping employment land allocations as a resource for potential investors.

7.1.7 Connectivity/Broadband

For Somerset to perform as a high value economy it is essential that its businesses and people are well connected and accessing and utilising broadband effectively. A vision and plan is in place based on three components to ensure that accessibility and e-adoption will open up markets for Somerset businesses through:

1. Governance to be delivered by the Connecting Somerset Board;
2. Demand stimulation and engagement; and
3. Delivery of infrastructure.

7.1.8 Supporting Somerset Enterprise

Given the large SME base in Somerset, issues of productivity facing the county and a perception of inaccessibility of public sector contracts (Source: Business Survey for Somerset Economic Assessment) it is proposed that ‘smart’ measures are identified to better support indigenous business (e.g. business incubation, workspace, innovative methods for sharing practice, mentoring, business advice and support) and for attracting inward investment through ‘Into Somerset’.

7.1.9 Leadership and Partnership

There is a need for clear leadership in tackling the issues facing the Somerset economy. This fits with the Government’s policy aspiration for shared response to action and investment.

Government proposes that Local Enterprise Partnerships (LEPs) should offer this leadership in local areas. Whether it be with or without an official LEP covering the Somerset area, the need remains to have leadership that brings together business leaders, civic leaders and other representatives of the Somerset economy (including the social purpose or ‘civil’ sector) to address the issues identified in the Somerset Economic Assessment.

7.2 Summary of Potential Actions

Figure 30 summarises potential actions.
Figure 30: Potential actions

THE ASPIRATION FOR THE SOMERSET ECONOMY?

- What Type of Economy?
  - High Growth?
  - High productivity?
  - Economic well being?
  - Sustainable? Low carbon?
  - 'Green' Knowledge?
- The Sectoral Focus?
- Economic Geography
  - a differentiated aspiration and response?
- The Skills Challenge?

Addressing the Impact of Public Sector Cuts

POTENTIAL ACTIONS?

- A focus on the Low Carbon Economy
- Sectoral Balance
- The Higher Level Skills Challenge
- Economic and Social Inclusion
- Planning for the Economic Aspiration
- Broadband
- Supporting Enterprise

Leadership and Partnership

- A tighter public sector purse
- Removing barriers to let the market work
- Smarter Intervention in the event of market failure
- Shared action, intervention and investment

THE CONTEXT FOR PRIORITISATION

ADDRESSING THE SWOT
Table 13: Core Indicators for Somerset

<table>
<thead>
<tr>
<th>Business and Enterprise</th>
<th>Somerset</th>
<th>South West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>GVA (total) (£m) (2007)</td>
<td>8,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GVA contribution to South West total (2007)</td>
<td>9.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GVA contribution to England total (2007)</td>
<td>0.8%</td>
<td></td>
<td>5.4%</td>
</tr>
<tr>
<td>Average annual GVA growth 1997-2007</td>
<td>5.7%</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>GVA per head (£) (2007)</td>
<td>16,642</td>
<td>18,235</td>
<td>20,458</td>
</tr>
<tr>
<td>Average annual GVA per head growth 1997-2007</td>
<td>4.9%</td>
<td>4.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>GVA per full-time equivalent job (FTE) (2008)</td>
<td>37,959</td>
<td>43,052</td>
<td>48,832*</td>
</tr>
<tr>
<td>GDHI per head (£) (2008)</td>
<td>14,820</td>
<td>14,680</td>
<td>15,090</td>
</tr>
<tr>
<td>Average annual GDHI per head growth 2000-2008</td>
<td>3.8%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People and Communities</th>
<th>Somerset</th>
<th>South West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median earnings of full-time employees (workplace-based) (2009)</td>
<td>18,514</td>
<td>19,875</td>
<td>21,673</td>
</tr>
<tr>
<td>Total employment rate (Oct 2008 - Sept 2009)</td>
<td>77.5%</td>
<td>76.6%</td>
<td>73.0%</td>
</tr>
<tr>
<td>Unemployment rate (April 2009-March 2010)</td>
<td>7.3%</td>
<td>6.4%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Self-employment rates (Oct 2008 - Sept 2009)</td>
<td>13.2%</td>
<td>14.3%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Claimant count (April 2010)</td>
<td>2.6%</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Proportion of working age population qualified to Level 2 or higher (Jan-Dec 2008)</td>
<td>68.4%</td>
<td>68.1%</td>
<td>64.6%</td>
</tr>
<tr>
<td>Proportion of working age population qualified to Level 3 or higher</td>
<td>47.5%</td>
<td>48.8%</td>
<td>46.5%</td>
</tr>
<tr>
<td>Proportion of working age population qualified to Level 4 or higher</td>
<td>24.9%</td>
<td>28.3%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Workforce with no qualifications</td>
<td>9.5%</td>
<td>9.0%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Work-related skills training in the last 4 weeks (Oct 2008 - Sept 2009)</td>
<td>10.9%</td>
<td>10.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>IMD 2007: Number of LSOAs in the worst 10% nationally</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of population in Somerset living within 10% most deprived areas</td>
<td>0.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of population in Somerset living within 20% most deprived areas</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of 16-18 year olds not in education, employment or training (March 2010)</td>
<td>4.60%</td>
<td>7.40%</td>
<td>6.10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainable Economic Growth</th>
<th>Somerset</th>
<th>South West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emissions by GVA (tonnes per £m) (2007)</td>
<td>588</td>
<td>424</td>
<td></td>
</tr>
<tr>
<td>Total CO2 emissions (kt) (2007)</td>
<td>4,970</td>
<td>40,766</td>
<td></td>
</tr>
<tr>
<td>Housing affordability: lower quartile house price to lower quartile earnings ratio (2009)</td>
<td>7.65</td>
<td>7.63</td>
<td>6.28</td>
</tr>
<tr>
<td>Median house price (Q4 2009)</td>
<td>£172,500</td>
<td>£175,000</td>
<td>£174,000</td>
</tr>
</tbody>
</table>

* GB figure.
### Appendix 2: Compendium of Documents Used for SEA

#### Guidance Documentation/Government policy/direction

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Business, Innovation and Skills and Department for Communities and Local Government</td>
<td>29 June 2010</td>
<td>Letter to Local Authority Leaders and Business Leaders on Local enterprise partnerships</td>
</tr>
<tr>
<td>Department for Business, Innovation and Skills and Department for Communities and Local Government and HM Treasury</td>
<td>July 2010</td>
<td>Consultation on the Regional Growth Fund</td>
</tr>
<tr>
<td>Department for Communities and Local Government</td>
<td>February 2010</td>
<td>Functional Economic Market Areas An Economic note</td>
</tr>
<tr>
<td>Department for Communities and Local Government</td>
<td>March 2010</td>
<td>Statutory Guidance on Local Economic Assessments&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
<tr>
<td>HM Treasury</td>
<td>December 2006</td>
<td>Leitch Review of Skills: Prosperity for all in the global economy – world class skills</td>
</tr>
<tr>
<td>Improvement and Development Agency</td>
<td>October 2009</td>
<td>How to do a Local Economic Assessment</td>
</tr>
<tr>
<td>PACEC</td>
<td>2007</td>
<td>Thriving Local Communities: Mapping Sub-Regions</td>
</tr>
</tbody>
</table>

#### Evidence Base - Primary Documentation

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekosgen</td>
<td>June 2010</td>
<td>The State of the Somerset Economy An Economic Profile</td>
</tr>
<tr>
<td>The Local Futures Group</td>
<td>February 2010</td>
<td>The State of Somerset An Economic, Social and Environmental Audit of Somerset</td>
</tr>
</tbody>
</table>

---

<sup>11</sup> Revoked by new government after 2010 election
## Evidence Base - Supplementary Documentation

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekosgen</td>
<td>July 2010</td>
<td>Establishing the Economic Legacy of the Hinkley point C Development</td>
</tr>
<tr>
<td>Ekosgen and ARUP</td>
<td>March 2010</td>
<td>Nuclear development at Hinkley – Subregional Socio Economic Impact Assessment</td>
</tr>
<tr>
<td>Geoeconomics</td>
<td>July 2008</td>
<td>A Baseline Assessment of the Somerset Knowledge Economy – A report prepared for Somerset County Council</td>
</tr>
<tr>
<td>Geoeconomics</td>
<td>June 2010</td>
<td>The Green Knowledge Economy</td>
</tr>
<tr>
<td>HEFCE</td>
<td>2008</td>
<td>Common evidence base for New University Challenge.</td>
</tr>
<tr>
<td>Local Futures</td>
<td>July 2010</td>
<td>Public Sector Cuts Barometer</td>
</tr>
<tr>
<td>Oxford Economics</td>
<td>June 2010</td>
<td>South West Growth Scenarios (including spreadsheets for Somerset)</td>
</tr>
<tr>
<td>Rose Regeneration</td>
<td>July 2010</td>
<td>Rural Vulnerability Index</td>
</tr>
<tr>
<td>Somerset County Council</td>
<td>June 2010</td>
<td>Broadband Strategy v2</td>
</tr>
<tr>
<td>Somerset County Council</td>
<td>June 2010</td>
<td>Broadband mapping study</td>
</tr>
<tr>
<td>Somerset County Council</td>
<td>2010</td>
<td>Minerals and Waste Development Framework</td>
</tr>
<tr>
<td>Somerset Strategic Partnership</td>
<td>July 2009</td>
<td>Somerset: The Single Conversation with the Homes and Communities Agency</td>
</tr>
<tr>
<td>South West Observatory</td>
<td>2009</td>
<td>Core Indicators for South West Local Economic Assessments</td>
</tr>
<tr>
<td>South West Observatory</td>
<td>February 2010</td>
<td>Sub regional Employment and Skills analysis 2010 Somerset</td>
</tr>
<tr>
<td>South West Observatory</td>
<td>August 2010a</td>
<td>Functional Economic Market Areas: Somerset Analysis</td>
</tr>
<tr>
<td>South West Observatory</td>
<td>August 2010b</td>
<td>Somerset County Council Economic Analysis</td>
</tr>
<tr>
<td>South West Observatory</td>
<td>August 2010c</td>
<td>Impact of public sector spending cuts – Emerging evidence base for the South West August 2010</td>
</tr>
<tr>
<td>SQW Consulting</td>
<td>June 2010</td>
<td>Functional Economic Market Areas Including toolkit</td>
</tr>
</tbody>
</table>
# Documentation from Communications and Consultation Process

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somerset County Council</td>
<td>December 2010</td>
<td>Statement on consultation process</td>
</tr>
</tbody>
</table>

# Policy and Strategy Documentation

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mendip District Council</td>
<td>March 2010</td>
<td>Mendip District Council Interim Economic Strategy Update 2010</td>
</tr>
<tr>
<td>Sedgeemoor District Council</td>
<td>July 2009</td>
<td>Sedgeemoor: Heart of the South West’s “Enterprise Coast”</td>
</tr>
<tr>
<td>Somerset County Council</td>
<td>March 2006</td>
<td>Somerset County Council Local Transport Plan 2006-2011</td>
</tr>
<tr>
<td>Somerset Strategic Partnership</td>
<td>2005</td>
<td>Somerset Economic Strategy</td>
</tr>
<tr>
<td>South Somerset District Council</td>
<td>Ongoing</td>
<td>Emerging evidence on study by Ekosgen, BDP, Oxford Economics</td>
</tr>
<tr>
<td>Taunton Deane Borough Council</td>
<td>February 2009</td>
<td>Geoeconomics - Local Economic Assessment – Taunton Deane</td>
</tr>
<tr>
<td>Taunton Deane Borough Council</td>
<td>April 2009</td>
<td>Geoeconomic – Envisioning the Future of the Taunton Economy</td>
</tr>
<tr>
<td>West Somerset Council</td>
<td>April 2009</td>
<td>The West Somerset Economic Strategy Delivering a new equilibrium</td>
</tr>
<tr>
<td>Author</td>
<td>Date</td>
<td>Title</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>James Shorten, c4g</td>
<td>August 2010</td>
<td>Rural Economy</td>
</tr>
<tr>
<td>Mark Hodgson, Zero 2050</td>
<td>August 2010</td>
<td>Low Carbon Economy</td>
</tr>
<tr>
<td>Roger Tym and Partners</td>
<td>August 2010</td>
<td>Competitiveness</td>
</tr>
<tr>
<td>Somerset Employment and Skills Working</td>
<td>August 2010</td>
<td>Worklessness</td>
</tr>
<tr>
<td>Group/EMB Consulting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: Table of Figures

Figure 1: Somerset's position at the heart of the South West ................................................... 1
Figure 2: A Joined Up Approach ........................................................................................................ 3
Table 1: Urban and rural clusters ........................................................................................................... 6
Figure 3: Multivariate Analysis: Somerset Clusters (see Table 1 for key) ........................................... 7
Figure 4: Multivariate Analysis: Somerset Connections (see Table 1 for key) ................................... 7
Figure 5: Value of Tourism .................................................................................................................... 9
Figure 6: Population of a pensionable age .......................................................................................... 12
Figure 7: Working age population ....................................................................................................... 14
Table 2: Average earnings ..................................................................................................................... 14
Table 3: Participation in Education and WBL of 16 and 17 Year Olds, 2007 ...................................... 15
Figure 8: Qualification Levels of the Working Age Population ............................................................. 16
Figure 9: HEFCE Evidence Base – Young Age Group ......................................................................... 16
Figure 10: HEFCE Evidence Base – Mature Age Group ..................................................................... 17
Table 4: Local authority deprivation scores ....................................................................................... 18
Figure 11: Patterns of deprivation across Somerset ............................................................................ 18
Figure 12: Defining Worklessness ......................................................................................................... 19
Figure 13: Projected unemployment trends .......................................................................................... 21
Figure 14: Tackling Worklessness in Somerset .................................................................................... 22
Figure 15: GVA per full time equivalent job (FTE) ............................................................................. 23
Figure 16: Projected productivity trends ............................................................................................... 24
Figure 17: Total employment by district .............................................................................................. 25
Figure 18: Projected employment trends .............................................................................................. 25
Table 5: Estimated employment growth by district 2010-2030 ........................................................... 26
Table 6: Location Quotients for Broad Industrial Classifications ......................................................... 27
Figure 19: Employees in public administration, education and health .................................................. 27
Table 7: Percentage change in number of workplaces and employment 1998-2008 ......................... 28
Figure 20: Projected employment by sector ......................................................................................... 29
Table 8: Summary of sectoral information ........................................................................................... 30
Figure 21: Employment in Key Sectors ............................................................................................... 32
Figure 22: GVA by sector ..................................................................................................................... 33
Figure 23: VAT stocks .......................................................................................................................... 36
Figure 24: Distribution of small businesses ......................................................................................... 37
Figure 25: Business survival rates ....................................................................................................... 38
Table 9: Change in Workplace and Employment, Knowledge Intensive Sectors, Somerset .............. 38
Figure 26: Knowledge economy .......................................................................................................... 39
Figure 27: Travel to Work Areas in Somerset ...................................................................................... 43
Figure 28: Mapping Connectivity and Demand in Somerset ............................................................... 46
Figure 29: Housing affordability – ratio of lower quartile house price to lower quartile earnings ...... 47
Table 10: Key Housing Issues Arising from Strategic Housing Market Assessments ....................... 48
Table 11: SWOT Analysis - Summary of Somerset's Strengths and Weaknesses .............................. 52
Table 12: SWOT Analysis - Summary of Somerset's Opportunities and Threats ............................... 53
Figure 30: Potential actions .................................................................................................................. 58
Table 13: Core Indicators for Somerset ............................................................................................... 59
The Somerset Economic Assessment has been developed by

WWW.SOMERSET.GOV.UK

with support from a range of partners including:

MENDIP DISTRICT COUNCIL
Sedgemoor in Somerset
EXMOOR NATIONAL PARK