

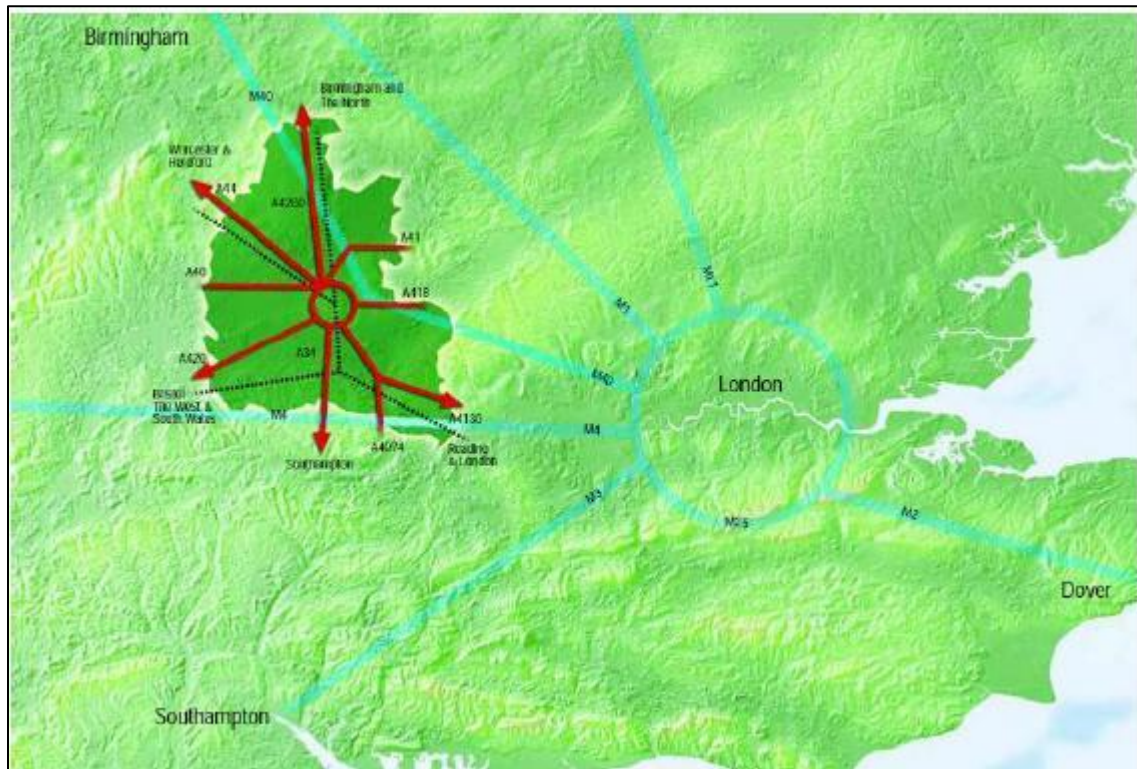
Oxfordshire Economic Assessment

Part One: Summary - Key Issues and
Findings, November 2012

Draft

Oxfordshire's Location

Oxfordshire lies at the north-western edge of the South East region and, with its central location in England, has strong links to London and the Midlands, as well as west to the Cotswold and along the M4 corridor.



Oxfordshire is internationally and nationally accessible by air, road and rail:

- 6 of the 10 largest cities in the UK are reachable from Oxfordshire in under 3 hours by rail.
- London and Birmingham are reachable in under an hour by rail.
- There is easy access to London and Birmingham via the M40 motorway.
- There are 8 international airports within a 3 hour commute (via public transport).

Key facts at a glance, Oxfordshire	
Population, 2011	653,800
Number of jobs, 2010	311,900
Number of self-employed, 2011	40,000
Number of businesses, 2010	29,000
Broad key sectors	Higher education, health, scientific research and development, car manufacture, publishing, agriculture, tourism.
Niche clusters	Biotechnology, space, cryogenics, advanced engineering.
Number of business start-ups 2010	2,600
Number of business closures 2010	3,100
Number of unemployed, May 2012	7,300
Number of (unfilled) vacancies May 2012	4,500
Total wealth created (GVA), 2009	£14.2 billion
Total wealth (GVA) per head of population, 2009	£22,200
Average weekly earnings	£555
With degree or above	35%
With no qualifications	7%
Number of houses built 2010/11	1,600
Number of houses available to build in next 5 years	10,900
Employment land available at April 2011 <i>With planning permission</i> <i>Land allocated</i>	380,000 square metres 200 hectares
% of county with access to superfast broadband	Approx. 60%

Sources for all figures in this table can be found in Part Two.

Key messages from the 2012 update

- The success of Oxfordshire's scientific and technologically based economy - its contribution both locally and nationally - is inextricably linked to: i) the presence and activities of its two universities (one a world renowned university and the other, one of the country's leading new university), and one of the largest hospital teaching and research trusts in the UK, located in Oxford; ii) the concentration of science and research activity to the south of the county at Harwell and Culham.
- The Oxfordshire economy, on balance, is proving resilient with niche clusters such as bio-technology, space and cryogenics delivering growth.
- Some of the barriers to economic growth remain the big issues of supply and access to affordable housing, educational attainment and skills development, tackling congestion and improving communication links. These can only be tackled over a longer time horizon and involve both national and local responses. Other issues include – access to finance, encouraging an enterprising culture, ensuring delivery of infrastructure to enable superfast broadband.

Positive signs	Indicators
<i>Oxfordshire has a resilient economy</i>	<ul style="list-style-type: none"> • <i>One of the lowest unemployment rates in the country</i> • <i>The number of young people unemployed has returned to pre-recession levels.</i> • <i>Highly skilled and educated workforce</i> • <i>High economic participation rates</i> • <i>Rate of decline in GVA in recent years lower than other regions.</i> • <i>Knowledge based industries and services built around hi-technology businesses and spinning out from the universities and health sector.</i>
<i>Oxfordshire has a competitive economy</i>	<ul style="list-style-type: none"> • <i>An average of 70 enterprises for every 1,000 economically active residents – above some of its comparator areas</i> • <i>Business survival rates above average.</i> • <i>More start ups in 2011 than in the previous year</i> • <i>With Buckinghamshire and Berkshire has the highest number</i>

	<i>of patents registered than any other region in the country.</i>
<i>Encouraging growth of key and niche clusters</i>	<ul style="list-style-type: none"> • <i>Biocluster expanded by 14% since 2008. The Oxford Bioscience Network expect to see 1,500 new jobs in this sector over the next three years. Oxford Nanopore is an example of a company spinning out of the University of Oxford and today employs 120 people.</i> • <i>Oxfordshire's space technology cluster located at Harwell is growing rapidly and include the European Space Agency (ESA), the International Space Innovation Centre (ISIC), Science and Technology Facilities Council (STFC) and Rutherford Appleton Laboratories (RAL) space. In 2012 it was announced Harwell would host the Satellite Applications Catapult; one of seven planned. Catapults, formerly known as technology and Innovation centres, are centres of excellence that bridge the gap between business, academia, research and government.</i>
<i>Governance in place</i>	<ul style="list-style-type: none"> • <i>Oxfordshire has a local enterprise partnership up and running with a clear programme of priorities and actions to enable and nurture conditions for growth.</i>
<i>Infrastructure priorities programmed</i>	<ul style="list-style-type: none"> • <i>On infrastructure, the Oxfordshire Local Investment Plan sets out a programme of priorities for development and investment over the next 5 years.</i> • <i>Funds are being levered in from new sources such as the Growing Places Fund - £8.4m awarded to Oxfordshire - to enable new infrastructure.</i> • <i>Major transport projects</i>

	<p><i>announced include: funding to deliver improvements to junction 9, M40 motorway; Government has confirmed it will fund the western section (into Oxfordshire) of the East West Rail route.</i></p> <ul style="list-style-type: none"> <i>• Infrastructure (fibre optic cabling) to deliver 'next generation' broadband covering most of the county (90%) to be in place by 2015. Commercial operators will upgrade to cover 72% of premises in the county. OxOnline project will cover the remainder, mostly rural areas.</i> <i>• 4.2 year supply of housing across the county available and ready for development.</i> <i>• 380,000Sqm of land with planning permission plus 280 hectares of land allocated for commercial and industrial development. This includes 92 Ha at the Science Vale Enterprise Zone; 18 Ha at the Bicester Eco-town and 38 Ha at Oxford.</i>
Challenges and barriers to growth	Indicators
<i>Continued need to increase jobs in the private sector and productivity needs to improve</i>	<ul style="list-style-type: none"> <i>• Growth in jobs and productivity up to 2010 has mainly come from the growth of the public sector, in particular within the higher education sector.</i>
<i>While Oxfordshire has a competitive economy its' residents may not be sufficiently enterprising.</i>	<ul style="list-style-type: none"> <i>• Unexpected decline in the number of self-employed in recent years, against the regional trend.</i> <i>• An increase in the number of older people in the workforce unemployed.</i> <i>• The presence of a large public sector.</i> <i>• Lower rate of births/deaths than many other places.</i>
<i>Some evidence of static growth in the research and development sector in recent years to 2010.</i>	<ul style="list-style-type: none"> <i>• Research and development is a key asset for Oxfordshire as it is a sector that is a major driver of economic growth. Data from the national Business Registration</i>

	<p>and Employment Survey indicates little growth in this sector in Oxfordshire at 2010 compared to some other areas. However, data from other sources indicates growth in key clusters since 2010. This sector needs to be kept monitored.</p>
<p>Lower than average educational attainment among Oxfordshire pupils</p>	<ul style="list-style-type: none"> • Oxfordshire's school pupil attainment was below the average in the south east and across England on the percentage achieving 5 or more A*-C grades including maths and English in 2010/11. • 10% of economically active males in Oxfordshire have no qualifications.
<p>Need for skills development in the manufacturing sector (including Oxfordshire's specialist and growing sectors) and care sector. 'Employability' skills of young need to improve.</p>	<ul style="list-style-type: none"> • The Oxfordshire Skills Needs Analysis looked at the take up of courses to the number of jobs in related sectors and identified gaps and areas for concern in two key areas in particular: i) low take up of training in engineering and manufacturing given the importance of this sector to the economy and Oxfordshire's growth prospects; ii) anticipated gap in training for the care services given the projected growth of this sector in the future. • Need to understand 'employability' skills required by employers and increase such skills among the workforce, particularly among young people.
<p>The number of older workers unemployed remains double pre-recession levels.</p>	<ul style="list-style-type: none"> • The number of people unemployed aged 20 to 49 years remains double pre-recession levels while those aged 16 to 19 have returned to pre-recession levels.
<p>A tight labour market with low unemployment compared to vacancies.</p>	<ul style="list-style-type: none"> • A 'tight' labour market can mean there is not the pool of labour available to meet jobs in sectors of high demand. Currently in

	<i>Oxfordshire these are in the personal service occupations and plant operatives.</i>
<i>Delivering new homes and access to affordable housing remains a challenge.</i>	<ul style="list-style-type: none"> • <i>House building across the country is at an all time low. On the supply side, Oxfordshire currently has 4.2 years supply of ‘deliverable’ sites. Government requirement is 5 years. On the demand side, lack of mortgage credit and development finance remain barriers to housebuilding recovery.</i> • <i>In Oxfordshire, 9 times average income is required to buy a house. Rents are relatively high too. Traditionally the provision of social and affordable housing (approximately 30% of all new homes built) is largely dependent on Government investment which is now significantly reduced.</i>
<i>Oxfordshire’s carbon footprint has reduced in recent years but remains well above regional and national averages.</i>	<ul style="list-style-type: none"> • <i>In 2010, Oxfordshire’s carbon footprint was equivalent to 7.4 tonnes per person, a drop of 12% of 8.4 tonnes in 2005. However, this level remains well above national and regional averages which are 6.6 and 6.1 tonnes respectively. This reduction could be due to increases in energy prices in recent years; economic conditions but also behavioral change due to increasing awareness on environmental issues.</i> • <i>Climate change and volatility in energy prices remain significant challenges for businesses and residents.</i>

Gaps in our evidence base. What do we need to research next?

- We need to understand economic conditions in our localities focusing in particular on the growth centres of Bicester, Science Vale and Oxford, and also the rural economy.
- We need a better picture of how Oxfordshire's economy performs against comparator areas.
- We have good data about the quantum of land available for commercial and industrial development and where it is located but we know less about what type of land/premises businesses require.
- There is little data and analysis about Oxfordshire's future growth beyond the next few years.
- Better understanding of the export sector in Oxfordshire and scope for growth.

A more detailed look at some of the issues drawing out the impact of the recession on Oxfordshire's economy and Oxfordshire's strengths and challenges

Strengths identified in Oxfordshire's economy:

Oxfordshire's economy has been hit by the on-going economic crisis, like most places. There are nevertheless some positive signs, at the macroeconomic level, that indicate Oxfordshire has embedded in its economy features that make it resilient to the worse impacts of the on-going recession:

- Oxfordshire has the lowest unemployment (claimant count) of any of the local enterprise partnership areas. It stood at 1.8% in May 2012 (7,600 people).
- Oxfordshire currently has a low ratio of unemployed claimants to jobs available which suggests jobs are being created that provide a reasonable match with the occupations sought by job claimants.

(See Section 3.11, Part Two)

Unemployment in Oxfordshire increased more than twofold from 3,800 in May 2008 to 9,600 a year later in 2009. By May 2012, the number of claimants had reduced to 7,300. While this is double the proportion it was at the start of the 2008/09 recession, in the national context, it is the second lowest claimant count of any of the local enterprise partnership areas so that in May 2012, the unemployment rate was 1.8%.

The size of the public sector in a locality can be taken as an indicator of a place's vulnerability to economic shocks. In Oxfordshire's case this is not so clear cut. While it has a large public sector, it is diverse and highly skilled. As such it can act to provide resilience too. So that the lower than average unemployment figure could be an indication that people who have experienced redundancy from the public sector are relatively skilled and are finding alternative employment as new jobs are created.

However, there are also reports of employers retaining staff by reducing pay or hours worked in an effort to keep skilled and experienced staff so as not to undermine their efforts to increase productivity when the economy recovers.

- Oxfordshire has a competitive economy and signs of an enterprising culture:
 - An average of 70 enterprises for every 1,000 economically active residents – above some of its comparator areas.
 - Business survival rates in the county are above average.
 - Over 5,700 new businesses started up in Oxfordshire during

2011, 2% more than in the previous year.

- **With Buckinghamshire and Berkshire, Oxfordshire has the highest number of patents registered of any other region¹ in the country.**

(See Section 3.7, Part Two)

There were 29,000 active enterprises in Oxfordshire in 2010; an average of 70 enterprises for every 1,000 economically active residents. This compares well to some of Oxfordshire's comparator areas, such as Berkshire and Cambridgeshire, where the ratio was 69 and 65 respectfully. Buckinghamshire however had the highest ratio at 93 enterprises for every 1,000 economically active residents.

Oxfordshire has the highest business survival rate of any other county in the country. 55% of businesses born in 2005 were still active in 2010. This compares to the regional average of 47% and the national average of 44%. In London it is 30%. On the one hand a high turnover of births and deaths can be an indication of positive entrepreneurial activity with people more willing to take risks. London is a case in point. In Oxfordshire however, the better survival rate of firms indicates Oxfordshire businesses are competitive and that there is a good support system for new businesses. This is reflected in the fact that Oxfordshire is one of the best networked regions in the country².

Data on new business bank accounts opened (Banksearch) shows over 5,700 new businesses started up in Oxfordshire during 2011, 2% more than in the previous year. The data shows Oxfordshire with one of the highest growth in new accounts this year than of any other LEP area.

Of these almost a quarter (1,274) were in the administrative and support services, followed by personal and community services, then retail trade and repair. More than 430 businesses were in professional, scientific and technical based sector, up from the previous year. Note: 20% of Oxfordshire's enterprises belong to this sector, which is well above the regional and national average (18.6% and 16.5% respectfully).

- **Encouraging growth of key and niche sectors such as biotechnology, cryogenics and space activity.**

(See Section 3.3, Part Two)

Oxfordshire has the third largest concentration of research and development workers in the country. While official statistics point to static growth in the R&D sector for Oxfordshire to 2010 data from other sources covering more recent years suggest

¹ NUT3 region...define

² Oxfordshire Economic Assessment 2010

Oxfordshire's overall performance in this sector could be improving. The concentration of R&D is a major asset for Oxfordshire as it is a key driver of growth. Some niche clusters within this sector, such as space, are high growth sectors. This sector is forecast to be worth £40billion by 2030 and could create 100,000 jobs³. 80% of this growth will be generated by 'downstream' activities – that is, services that are developed using space data or infrastructure. The European Space Agency opened its International Space Innovation Centre at Harwell in 2012 and was formed to exploit these downstream activities arising from 'upstream' (direct space related technologies and data) space activity.

The biocluster in Oxfordshire is another niche cluster that shows encouraging growth. According to the Oxford Bioscience Network this sector has grown by 14% since 2008 (28 new companies) coming almost exclusively from start-ups and spin outs from the university. The Network report they expect to see 1,500 new jobs created in this sector over the next three years.

It will be important to monitor this sector to understand how it is developing but also what is required from businesses to unlock any growth potential. Key infrastructure projects will assist such as delivering high speed broadband into priority areas; and new investment in transport infrastructure.

- **Oxfordshire governance structures in place.**
- **Infrastructure priorities established.**
- **Investment being levered in.**

(See Section 5.3, Part Two)

Governance in Oxfordshire extends to having a Local Enterprise Partnership up and running and a Spatial Planning and Infrastructure Partnership established that focuses on infrastructure delivery. The Oxfordshire Local Investment Plan sets out infrastructure priorities for the next 5 years. Oxfordshire is increasingly leveraging in funding to help deliver infrastructure projects.

- **Other features include: a highly educated and skilled workforce; a high proportion of workers and industries employed in knowledge intensive industries; two universities and a research hospital trust; a well networked county; and spatially, Oxford City, which has increased its ranking of top cities in the UK Competitiveness Index from 9th to 7th place; an Enterprise Zone at Science Vale and one of the four planned eco-towns in the country at North West Bicester.**

³ A UK Space Innovation and Growth Strategy 2010 to 2030, Space IGS

But challenges remain to be addressed:

This update points to many of the challenges identified in the first Economic Assessment 2010 report as still relevant, reflecting areas where programmes to deliver change are as much longer term projects as they are short-term. However, the evidence also identifies some nuanced changes that need to be monitored and may require a change in approach to how the LEP supports business and enterprise:

- **There is a continued need to increase jobs in the private sector for the county's future prosperity but also more immediately to off-set job losses from the public sector.**
- **Productivity needs to improve. Oxfordshire's gross value added has improved in recent years so that it is now above some of its comparator areas, like Cambridgeshire but this was due the contribution of the public sector.**

(See Section 3.5, Part Two)

The 2010 Economic Assessment identified Oxfordshire's public sector as a major contributor to growth in employment and Gross Value Added over the last decade. The focus of the work of the Oxfordshire Local Enterprise Partnership is to create conditions for private sector jobs to flourish.

Oxfordshire has a large public sector which is spread across several industries including education, health, defence and public administration. All these sectors have been affected by cuts in public expenditure but data is only available to 2010 and the impact of the cuts is not yet seen. Data at the national level however, indicates we can expect to see quite significant reductions in public sector jobs and a rise in private sector jobs. Between 2011 to 2012, there was a loss of 278,000 jobs in the public sector compared to 320,000 new jobs in the private sector⁴; a change of - 4.5% and 1.4% respectfully. If those figures were translated to Oxfordshire, it could mean the county has lost about 4,600 public sector jobs compared to the creation of about 3,000 jobs in the private sector. In the Oxfordshire context it means many more jobs in the private sector are required to replace jobs lost and to further diversify the economic base.

- **While Oxfordshire has a competitive economy it may not be sufficiently enterprising.**

⁴ Office for National Statistics, 1st quarter data

While the Oxfordshire workforce is highly educated and skilled there are a number of indicators to suggest that the workforce may not be equipped with 'entrepreneurial' skills to transition into self-employment or set up in business. These include: the drop in the number of people self-employed in the county; the relatively slow or lack of growth in key sectors of the county's economy such as research and development, compared to other areas; an increase in the number of older people unemployed; the presence of a large public sector; the lower rate of 'births' of new businesses, comparatively. It is a common perception that entrepreneurs are young and straight out of college. A survey by Ernst and Young⁵ shows that there is some truth in this but it also shows that more than half of their survey respondents 'transitioned' from employees having gained valuable skills and experience working in a corporate environment. Skills development in entrepreneurship may assist some to consider going into business although there are undoubtedly cultural factors at play too which discourage people from considering self-employed or setting up in business.

- **'High growth firms' had shown growth in turnover and employees up until 2008 but growth from such firms has stalled in recent years.**
- **Small firms continue to form but at this time, appear not to be growing in terms of employees or turnover.**

(See Section 2.1 and 2.6, Part Two)

Research by the National Endowment for Science, Technology and the Arts⁶ (NESTA) found a small proportion of high growth firms⁷ (6%) were responsible for over half of all new jobs created between 2002 and 2008. NESTA showed that these 'high-growth firms' or 'gazelles' are an important source of new employment and are innovative and create wider social benefits. In all they are disproportionately important to the economy. This is borne out by data for Oxfordshire shows that while micro firms (employing less than 10 people) represent 89% of all businesses, all other sized firms (small, medium and large) represent 11% but employ over three quarters of employees. Between 2001 and 2008⁸ while micro firms created 10% of all new jobs medium and large sized firms created 29% of new jobs.

However, data covering more recent years, 2008 to 2011, show there has been little or no growth among medium to large sized firms in Oxfordshire. However, rather than a decline, growth has stalled. This is in contrast to the regional and national picture where the drop in the number of businesses registered for VAT purposes has declined more sharply.

Among small firms, the evidence suggests new businesses are forming or growing but modestly, in terms of both employees and turnover. Data on new business bank accounts opened (Banksearch) show there has been an increase in new businesses

⁵ Nature or Nurture? Decoding the DNA of the entrepreneur, Ernst & Young, 2011

⁶ The Vital 6 per cent, NESTA, 2009

⁷ High growth firms were defined as firms with ten or more employees expecting or achieving 20% employment growth per year for three consecutive years.

⁸ The national dataset that allowed examination of size of firm by employees is no longer available.

started in more recent years. A certain number of firms will not expand to require them to register for VAT (the threshold is currently £77,000) but equally it may suggest some businesses are forming but not expanding.

There are barriers to growth experienced by firms wishing to expand. Again, NESTA has looked at these in their most recent report, 'Barriers to Growth' (2011). It is perhaps unsurprising that the state of the national economy is cited as the number one obstacle to businesses implementing growth plans. Other barriers are access to finance; finding the right staff; and management skills. Regulation and competition were also cited but more an issue for low growth firms.

- **Oxfordshire has a 'tight' labour market.**
- **A common theme emerging from surveys on skills is the need for skills development in the manufacturing sector and the care sector.**

(See Section xxxx)

There is a flip side to Oxfordshire businesses operating in what is a tight labour market, where the ratio of people unemployed is low compared to vacancies, in that certain sectors are finding it hard to recruit staff. Vacancy data shows highest demand for personal service occupations and process and plant and machine operatives. This is somewhat borne out by data on new bank accounts showing the second largest increase in business activity was in personal & community service activities. This is also partly reflected in the Oxfordshire Skills Needs Analysis which identified skills gaps in, among others, engineering & manufacturing, retail and care services. But there is a mismatch in the skills and experience of claimants when compared to vacancies available. There was double the number of claimants seeking managerial posts than there are vacancies; a match in professional occupations and vacancies but many more people seeking administrative, secretarial and sales jobs than vacancies available. People who have built up skills and experience in higher level jobs may be reluctant to take up posts in an industry or service with a poor image. Anecdotal evidence suggests the care service, rightly or wrongly, suffers from this perception.

- **Lower than average educational attainment among Oxfordshire's pupils remains a pressing issue.**
- **Older workers appear to be forming a larger and growing cohort of those unemployed.**

While it will be important to focus on improving educational attainment and skills development on young people not in education, employment or on training and employment schemes; it may be that increasing attention is paid to older workers who form a large cohort of unemployed. Levels of claimants for those aged 20 to 49 remains double pre-recession levels. This could reflect redundancies from the public sector for which figures have not yet filtered through in national surveys. With the economy braced for a longer than expected recession this situation may well worsen.

Educational attainment among Oxfordshire's resident young people is below regional and national averages. This makes Oxfordshire less competitive and less efficient, drawing in people from outside the sub-region to work.

- **Oxfordshire is one of the most expensive places to live in the country. Coupled with the continued low level of housebuilding in the county access to affordable housing is an ever increasing problem.**

(See Section 5.3, Part Two).

The picture on affordable housing and low house building is a feature seen across the country. In the Oxfordshire context the situation can be described as acute. There are a number of ramifications arising from this and the Census 2011 results will provide in-depth data on this but it includes young people and often local people being priced out of the housing market while at the same time it can impede businesses attracting the necessary skills pool if people cannot afford to relocate. It can result in people having to travel longer distances to work, adding to traffic on roads if travelling by car.