

## **APPENDIX B: THE MENDIP ECONOMY**



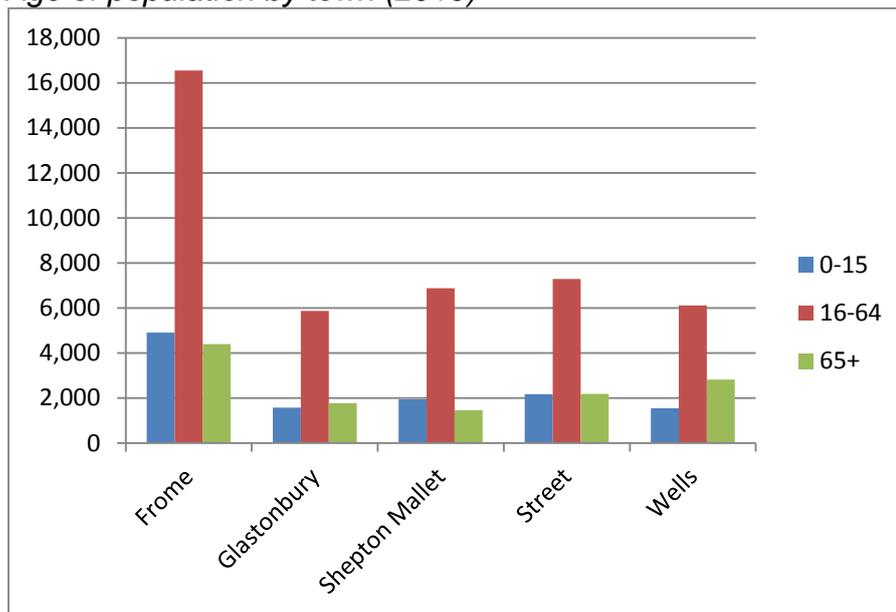
## a) Demographic overview

The 2011 Census reveals that Mendip’s population has grown to 109,300, which is 5% more than the previous Census in 2001. The rate of population growth has been at a slightly below the rate of Somerset and the Heart of the South West LEP. Mendip’s growth has slowed since 2008 probably due to a combination of a modest increase in the birth rate and a significant reduction in inward migration. The fall in inward migration is likely the availability and choice of better-paid employment elsewhere and increased house prices raising the cost of living.

Most of Mendip’s population is concentrated in the five towns (Frome, Glastonbury, Shepton Mallet, Street and Wells). Frome is the largest town with over 24,500 residents and the other towns each have around 10,000 residents.

The chart below shows how the towns differ in relation to the age of their populations. Frome, Shepton Mallet and Street have younger populations with fewer people aged over 60. Glastonbury is similar, but with a slightly higher proportion of working age residents. Wells differs from all the other towns in that it has above average numbers of residents aged over retirement age, whilst this offers business opportunities, it also impacts on how businesses perceive the city commercially.

*Age of population by town (2010)*

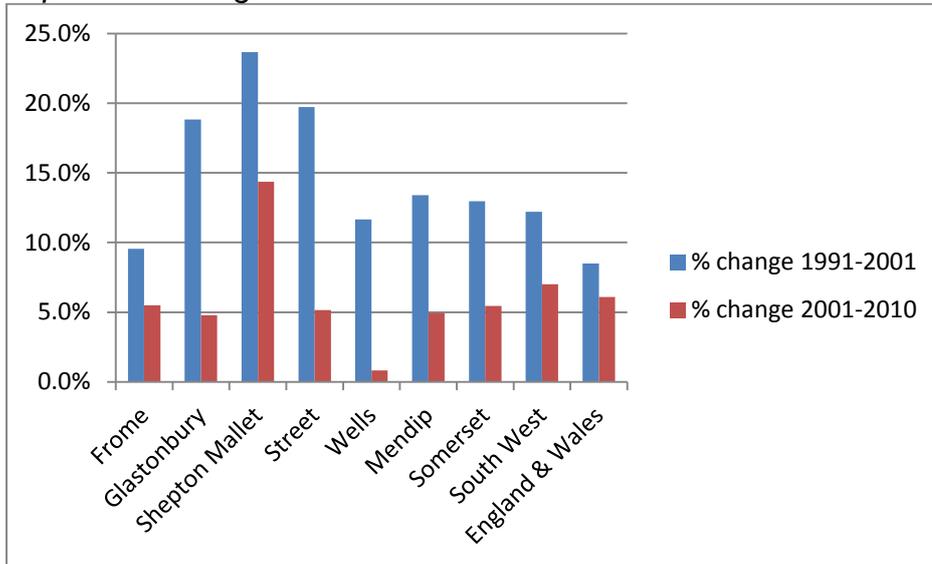


Source: NOMIS (2012) using ONS Mid-year estimates 2010

Mendip’s population is relatively older, with 19% aged 65+ compared to 17% for Great Britain. However, the district has fewer people over the age of 65 and a larger working age population. Compared to the national picture there is an under-representation of residents between the ages of 20-39. This is likely to be a result of young people moving away from the area for university and wider employment opportunities. This impacts on the local labour market as it constrains its capacity.

The chart below highlights how population growth has slowed in the last decade.

*Population change 1991-2001 and 2001-2010*



Source: 1991 & 2001 Censuses and Mid-year population estimates 2010 (ONS)

Shepton Mallet continues to experience the highest growth, closely followed by Street and Glastonbury. Wells bucks the trend with little growth

## b) Employment Trends

Somerset's economy is worth about £8.800 million (2009) representing 9% of the economic output of the South West region. Oxford Economics data suggests Mendip contributes £1,600 million, which is 20% of Somerset's GVA.

2009 data for GVA per employee (FTE) was around £44,000 across Great Britain, £38,400 across the SW region and £38,900 across Somerset. GVA output for Mendip has been calculated at £37,300, which is somewhat lower.

Mendip's employment has steadily grown through the recession since 2007, where there are dips in employment this can be linked to the loss of major employers. Between 2001 and 2010, the number of employees in Mendip rose by over 4,500, this equates to a 12.5% rise and compares favourably to the county (9.5%) and national (+3.6%) picture.

*Employee Change from 2006 to 2010*

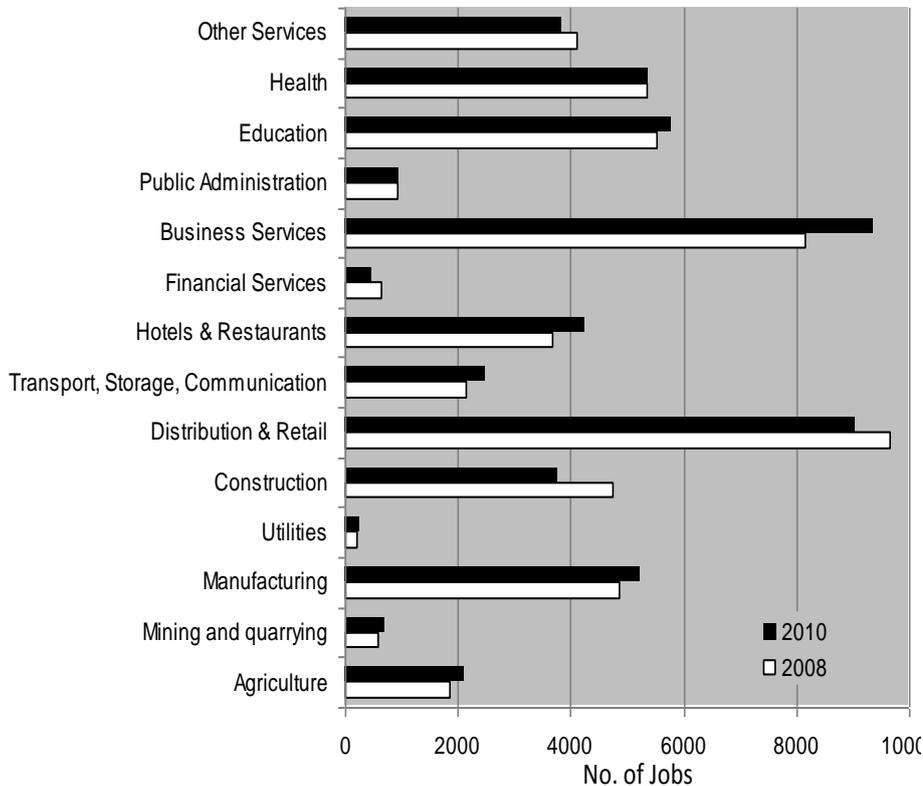
| Number of Employees | Mendip | Somerset | Heart of the SW LEP area | Great Britain |
|---------------------|--------|----------|--------------------------|---------------|
| 2006                | 40,438 | 209,000  | 668,700                  | 26,400,000    |
| 2010                | 41,065 | 208,100  | 657,300                  | 26,100,000    |
| % Growth            | +1.6%  | -0.4%    | -1.7%                    | -1.1%         |

Source: ONS Annual Business Inquiry and Business Registration and Employment Survey

Mendip's economy is dominated by small and micro businesses with less than 10 employees, which accounts for 86% of all businesses (higher than the regional and national averages). At the other end of the spectrum, there are relatively few large businesses (<3%) employing over 50 employees and most of these are home-grown.

The dominant employment sectors in Mendip are wholesale & retail (19.4%), business services (12.2%), education (12.4%), health & social work (11.2%) and manufacturing (11%). Over one-third of manufacturing is food-processing, which is more than three times the proportion nationally.

**Employment in Sectors of the Mendip Economy 2008 and 2010**



Source: Mendip Local Development Framework - Economic Projections July 2012 Update

The numbers of self-employed rose by 16% between 2006 and 2010, although the rate of increase has recently slowed. Self-employment is estimated to be 23% of employees which translates to about 12,500 people in Mendip.

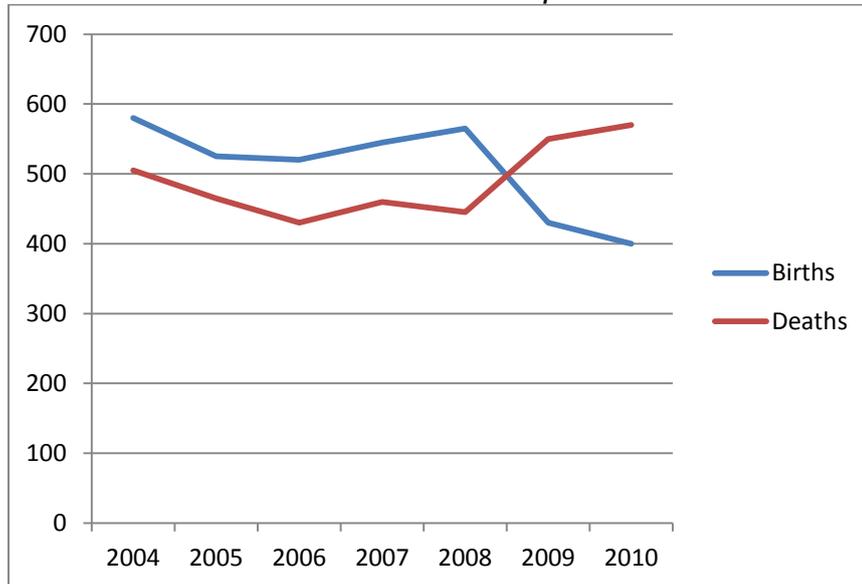
A useful indicator is VAT registrations and de-registrations and although this measure does not cover all businesses, especially given the high proportions of small and micro businesses in Somerset, they do provide a useful indication of entrepreneurship and the health of the economy.

Data on the number of VAT registrations and de-registrations across Somerset shows that Mendip is the second best performing district after South Somerset. In fact, in 2010 there were 400 new VAT Business Registrations in Mendip which is some 25% of the total in Somerset for that year.

Recently Mendip's business birth rate has fallen sharply towards national and regional rates, but even more worryingly is an increase in business failures; particularly during the past two years. Up to 2008, Mendip was forming more new businesses than it was losing and consistently adding to the local economic base; since 2009, nearly 300 VAT Registered Business have been lost from the economy.

It is very possible that some of these “lost” businesses may still be operating below the increasing VAT registration threshold, so the picture is not so worrying.

*Business Births and Deaths for Mendip 2004-2010*



Source: NOMIS (2012) using ONS Business Demographics data

As a result of the business churn as described above, the overall stock of VAT Registered Businesses in Mendip remained static between 2006 and 2010. That said, Mendip still has a comparatively high business density ratio of 456 businesses per 10,000 population. Density is 400 in Somerset, 384 for the SW region and just 370 across Great Britain.

Mendip still appears to demonstrate a strong new business survivorship rate when compared to national and regional indicators. Nearly 60% of new business enterprises established in Mendip in 2007 were still operating in 2011 compared with just 56% of new enterprises in Somerset and the South West Region overall and just 53% of all new business enterprises established across Great Britain.

**Change in Business Stock and Density – 2006 to 2010**

|               | 2006      |                                 | 2010      |                                 | 2006/10             |
|---------------|-----------|---------------------------------|-----------|---------------------------------|---------------------|
|               | VAT stock | Business density per 10,000 pop | VAT stock | Business density per 10,000 pop | Change in VAT stock |
| Mendip        | 4,970     | 463                             | 4,970     | 456                             | 0%                  |
| Somerset      | 21,275    | 411                             | 21,050    | 400                             | -1.1%               |
| South West    | 199,860   | 390                             | 202,620   | 384                             | +1.4%               |
| Great Britain | 2,151,845 | 366                             | 2,241,375 | 371                             | +4.2%               |

Source: ONS, Business Demographics 2010

**Business Survivorship Rates - New Enterprises Born in 2007**

|               | Year 1 (08) | Year 2 (09) | Year 3 (10) | Year 4 (11) |
|---------------|-------------|-------------|-------------|-------------|
| Mendip        | 97.9%       | 83.7%       | 72.1%       | 59.6%       |
| Somerset      | 96.9%       | 81.5%       | 68.6%       | 56.4%       |
| South West    | 96.8%       | 82.3%       | 69.0%       | 56.6%       |
| Great Britain | 96.5%       | 80.7%       | 66.2%       | 53.2%       |

Source: ONS, Business Demographics 2010

The recent increase in business deaths in Mendip could be a feature of local restructuring and the “losses” consisting older businesses which may have struggled through the recent recession. However, if the apparent strong survivorship rates are retained, Mendip could emerge as a stronger more resilient economy in the future.

In addition, there is evidence that businesses closer to Bristol out-perform other parts of the South West. Mendip’s geographical location is a huge opportunity to be more proactive in capitalising on this trend by developing stronger economic links based on functional economic zones rather than local authority boundaries.

Overall the economy of Mendip has become less ‘self-contained’ since 2001 and there is now a greater flow of workers in and out of the district each day.

In 2008, over 64% of Mendip’s working residents also worked in Mendip, this is down from 67% in 2001. The remaining 36% out-commuted to Bath & North East Somerset, West Wiltshire, Bristol, Sedgemoor and South Somerset.

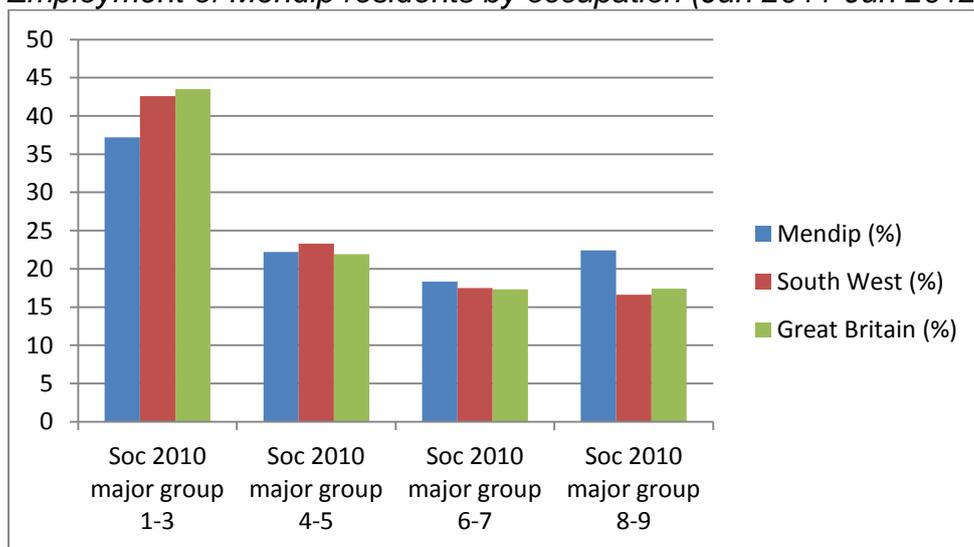
In 2008, 71% of workers in Mendip also lived in Mendip, which is down from 77% in 2001. The remaining 29% in-commuted from Bath & North East Somerset, South Somerset, West Wiltshire and Sedgemoor.

Overall, it is estimated there are 18,500 commuting out of Mendip to work every day and 13,400 travelling in. This means Mendip has a net-outflow of 5,100 workers a day.

### c) Labour Force

Mendip offers a typical range of jobs as found in other rural parts of the country requiring a suitably skilled workforce. The district has a strong labour force with high levels of economic activity (77.4%) above the Somerset (74.8%), LEP (73.3%) and national (70.2%) averages for 2012.

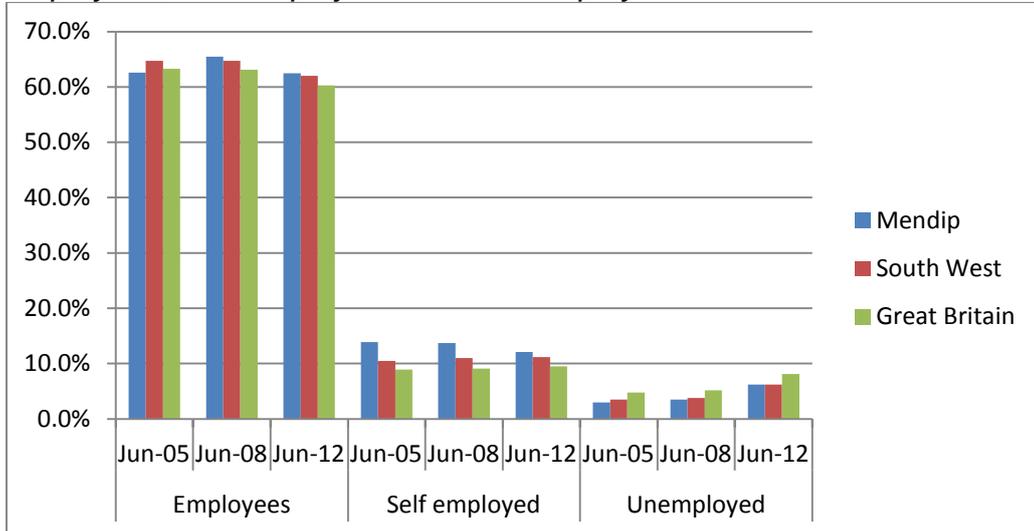
*Employment of Mendip residents by occupation (Jun 2011-Jun 2012)*



Source: NOMIS (2012) using ONS Annual Population Survey data

When we look at Mendip residents, the main occupations of residents are skilled trades (16.2%), professional (14.8%) and associate professional & technical (11.8%). There are relatively low higher skilled jobs and more low skilled jobs compared to the SW region and nationally.

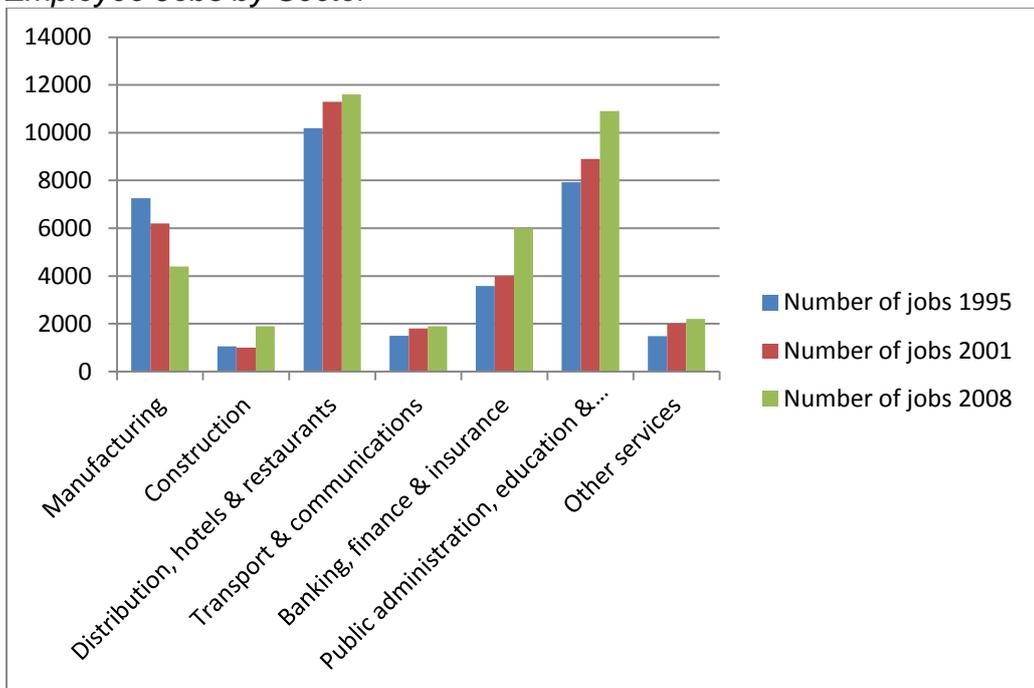
*Employees, Self-employment and Unemployment*



Source: Annual population survey, 2012 (ONS)

The sectors that drive Mendip’s economy are hotels & restaurants (+26%), transport & storage (+16%), food processing (+12%) and health & social work (+11%). Other dominant sectors are wholesale & retail and education. There are estimated to be 4,000 tourism-related jobs in Mendip. The sectors that have contracted are finance (-21%), business services (-15%) and other manufacturing (-10%).

*Employee Jobs by Sector*

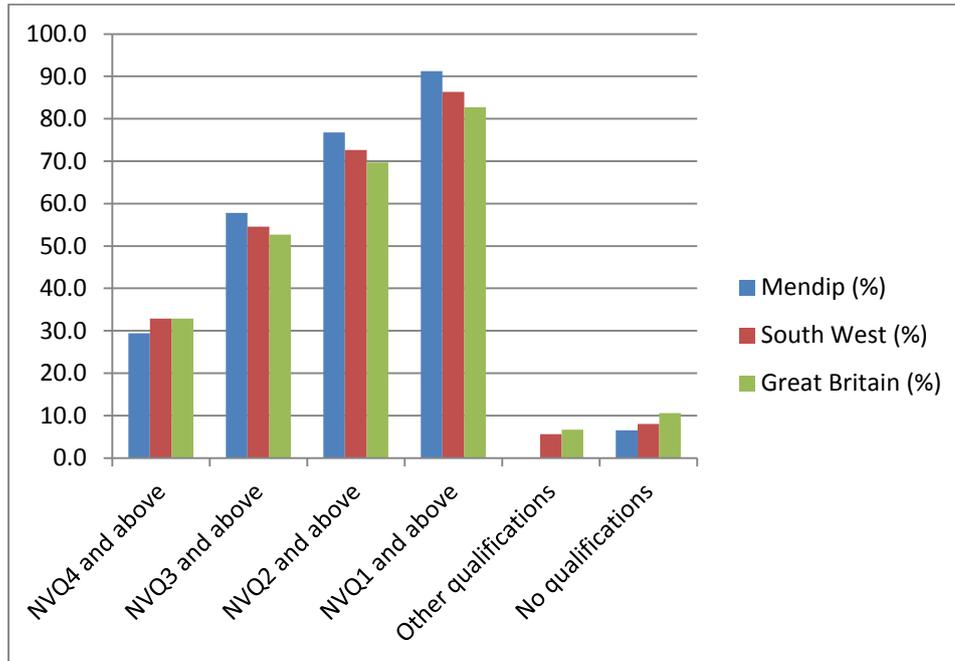


Source: Annual business inquiry employee analysis, 2008 (ONS)  
 Note: Figures exclude self-employed, govt-supported trainees and HM Forces

Sectors strong in Mendip that require specific skills are mining & quarrying, food processing, hotels & restaurants, education (including private schools), wholesale & retail, the arts & entertainment.

Mendip has very strong qualification rates at all levels except NVQ4 (degree) and above. This could well be a symptom of the population structure where young people move away from the area for university and employment.

**Qualifications Jan 2011-Dec 2011**



Source: NOMIS (2012) using ONS Annual Population Survey

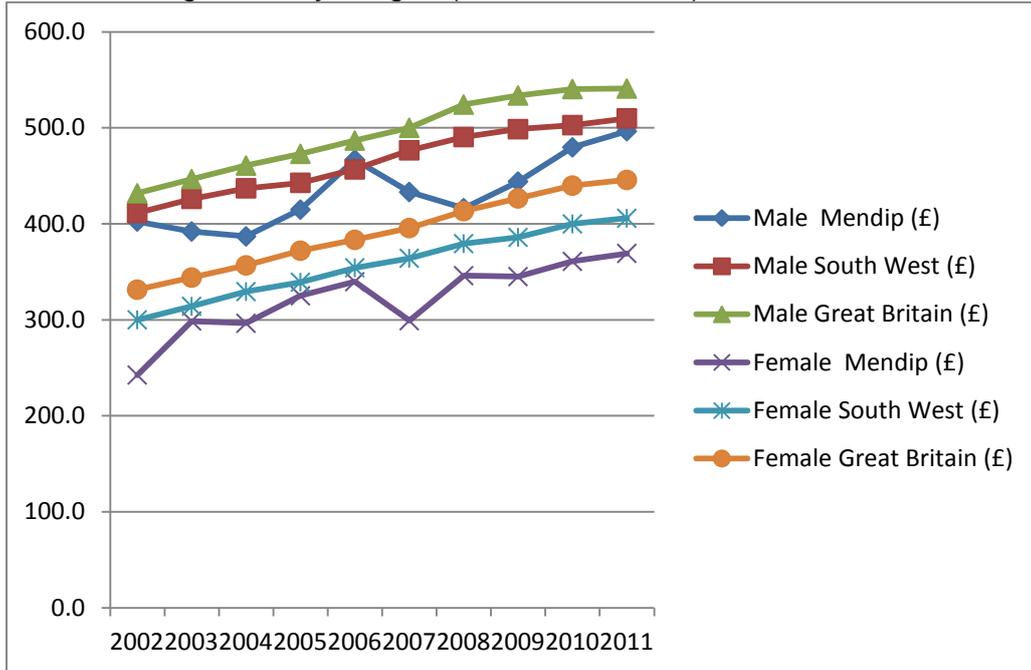
The proportion of the population with no formal qualifications is around 6.5%, which is a lower rate than Somerset (7.1%), the Heart of the South West LEP area (7.6%) and the national average (10.6%).

Skills levels have improved in Mendip since 2006, especially at NVQ levels 1 & 2 (GCSE) and in the sharp reduction in those with no formal qualifications.

In 2001, the average gross weekly earnings for residents was £458. Whilst this is down slightly from a peak of £472 in 2010, it continues a general upward trend. Resident wages have remained consistently above those of Somerset and, apart from a dip in 2008 and 2009, are higher than those of the South West region overall.

In contrast, the average gross weekly workplace earnings are significantly lower; in 2011 they were £403 which is 12% lower than the average resident earnings. This highlighting that many residents out-commute to higher-paid jobs elsewhere. Although workplace earnings have increased by 9% since 2006 (£370), the rate of growth has flattened since 2010 mirroring a national trend.

Gross Average Weekly Wages (full time workers)



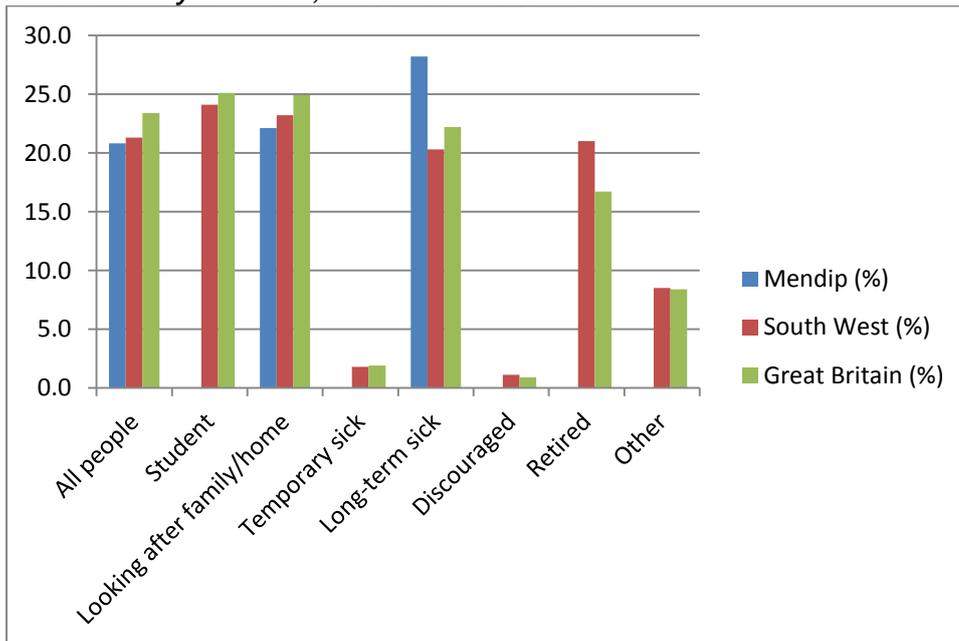
Source: NOMIS (2012) using ONS Annual survey data

Female wages in Mendip are significantly lower than those of males and this gap does not appear to have decreased during the last decade.

### c) Economic Inactivity and Unemployment

Unemployment is low and is generally around 2-3% which is considered 'full employment'. The 2012 rate in Mendip is 2.7% and dropping, this differs from the national picture where unemployment is rising (8.2%).

Economically Inactive, Jul 2011-Jun 2012



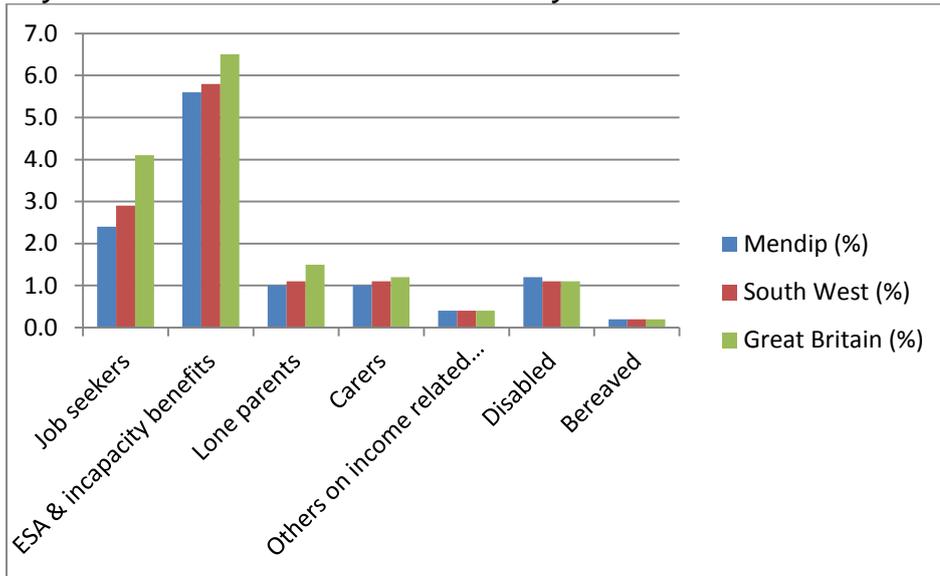
Source: Annual population survey, 2012 (ONS)

## Mendip Employment Land & Premises Study 2012

In July 2012, there were 13,500 economically inactive people in Mendip, of whom 5,000 (36%) want a job. The main reasons for the other 8,500 not wanting a job are because they are either looking after the family or home, or they have long-term sickness. Very few are students reflecting the lack of university in Somerset and limited employment opportunities for graduates.

Just under 12% of Mendip's working age population was receiving some sort of benefit in February 2012, this is lower than Somerset (12.3%), the Heart of the South West LEP area (13.4%) and Great Britain (15.0%).

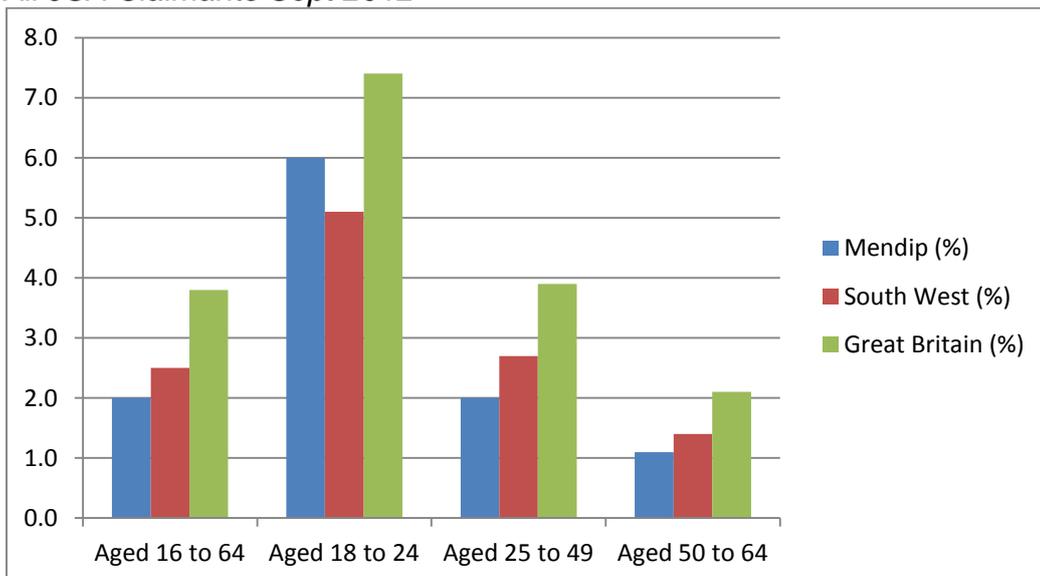
### Key Out-of-Work Claimants at February 2012



Source: NOMIS (2012) using DWP Benefit Claimant data

Across all geographies, the proportion of residents receiving benefits rose between 2005 and 2012.

### All JSA Claimants Sept 2012



Source: NOMIS (2012) using ONS Claimant Count data

In Mendip, the benefit claimant rate went up by 1.9%, which is similar to Somerset (1.8%), but higher than the Heart of the SW LEP area (1.3%) and nationally (1%). However, the proportion claiming worklessness related benefits rose less sharply.

In February 2012, 4.2% of the working age population was claiming a worklessness related benefit. This is again lower than Somerset (4.5%), the Heart of the South West (4.9%) and Great Britain (6.2%).

These comparatively lower unemployment rates reflect the lower number of unfilled Mendip job vacancies advertised though Job Centre Plus - there were just 537 jobs in September 2012, or 81 per 10,000 working age population.

Recent data shows 1,350 JSA claimants in Mendip, which equates to 2% of the working age population (*NOMIS, September 2012*). Job seekers allowance is most pronounced in the 18-24 year age group. Some 6% of people in this group are receiving JSA in Mendip which is similar to Somerset (5.8%), above the South West region (5.1%), but below the national average rate (7.4%).

#### d) Deprivation

Indices of Multiple Deprivation indicate the least advantaged individuals using a range of domains to measure levels and types of deprivation. The table below shows where in Mendip the most deprived communities are located.

*Mendip's most economically deprived communities 2010*

| Indicator  | Frome | Glastonbury | Shepton Mallet | Street | Wells |
|--|-------|-------------|----------------|--------|-------|
| Out-of-work benefits   | 9     | 5           | 10             | 16     | 12    |
| 16-19 year olds not in education, employment or training (NEETS) | 5     | 5           | 11             | 21     | 26    |
| JSA claimants 1 year plus  | 5     | 2           | 5              | 13     | 13    |
| No access to car or van  | 13    | 9           | 12             | 10     | 5     |

*Source: Indices of Multiple Deprivation, 2010*

Whilst the amount of disadvantage is low, communities in Glastonbury, Frome and Shepton Mallet are ranked within the 20% most economically deprived in England mostly due to low incomes, poor skills and difficulties in securing employment. In Wells, deprivation tends to relate to access to a car or van. These economically deprived communities are located in the very same towns identified for employment growth and new job creation to 2028.