

Oxford Economic Narrative 2017

This note uses the evidence base created by the [Economic Narrative](#) and seeks to provide additional analysis on what this means for the Oxford Economy. This action flows from the last Oxford Economic Growth Steering Group Meeting, which highlighted the need to identify the key points from the narrative, and interpret what they mean for Oxford's Economic Strategy going forward. These are as follows:

National and International Political and Economic landscape

1. Changes in the political and economic landscape for business: The last couple of years have seen a shift in the political and economic landscape both globally and nationally. Most importantly, the terms of the deal to leave the EU may have significant implications for Oxford's economy and are creating considerable uncertainty.

What this means: The terms of the Brexit deal will shortly be under negotiation by a newly elected government. There are clearly potentially serious risks to a range of Oxford employers, and some of the city's key sectors, which centre on research funding, policy and collaboration, access to labour and talent, and trading rules with the EU. This could be damaging to growth and productivity, science and technology, and public services. It is important for the Economic Growth Steering group and partners to monitor and report the position of individual businesses locally and to national government, and be responsive to these changes. Supporting existing businesses, particularly top employers and those that are growing rapidly, should therefore be a top priority together with working with key partners, such as OxLEP, UKTI and Advanced Oxford, in order to help to market the investment opportunities in the city. The change in this landscape has partly been a response to inequality and this is discussed under point 5.

Economic performance

2. Fastest growing private sector: Oxford has had one of the fastest growing private sectors in the UK in recent years; which is perhaps surprising given employment is still dominated by the public sector (education and health). Moreover, two-thirds of the workforce is classified as 'knowledge intensive' workers, the second highest in the UK.

What this means: The evidence shows that in the last 6 years Oxford's private sector growth of 19.3%¹ is the highest of any place outside of London. Whilst this is very positive and highlights the strengths of Oxford's economy, job growth was more negligible in the last year (an increase of 300 jobs). Any signs of this trend plateauing or reversing should be monitored in the future. In the context of the changing landscape outlined above, it is important to monitor the position in respect of job growth. In addition it would be useful to undertake some further research to understand more fully the main sources of this job growth, or indeed any losses, and in which key sectors and occupations this has taken place. This intelligence would help to inform the business engagement strategy and ensure that these key sub-sectors are subject to particular focus. It also links with the need to look closely at the available supply of commercial premises and ensure the supply pipeline is stimulated accordingly.

3. Economic contribution: Oxford's total GVA is £7.34bn annually² and generated £1.15bn in income tax in 2015/16, £226m more than 10 years earlier³. Oxford is the seventh highest of all English cities and is at a very similar overall level to Swindon and higher than Cambridge and Norwich.

What this means: Oxford's economy has performed well over a long-period pre and post-recession and is **generating significant income for the national economy, but this requires certainty of investment to continue**. This is an important message for Government to hear at all opportunities through partners, funding bids, discussions on devolution and campaigns to make the case for investment in Oxford. It will be important for positioning Oxford with bodies such as National Infrastructure Commission (NIC) and to further ensure Oxford capitalises on a new Industrial Strategy. Much of the data in the Economic Narrative provides convincing evidence to Government to show that

¹ ONS and BRES Data 2010-2015

² Centre for Cities, 2016

³ Centre for Cities, 2017

the allocation of funding to Oxford for infrastructure and or to bring development sites forward sooner is likely to generate further income for the national economy (GVA) and job growth, based on Oxford's proven track record. Alongside OxLEP, Advanced Oxford will also be a partner in campaigning on the message of Oxford's ROI.

Workforce and skills

4. Job density: Oxford has a high job density highlighting the demand for labour and its position as a vital regional employment hub with a high-level of in-commuting.

What this means: This shows the importance of Oxford as a centre for employment, the potential of the city to create further jobs as the 'engine for growth' within a dynamic sub-region. **Facilitating efficient access to this job market for labour is a key requirement.** A high job density does emphasise that the development of further major housing schemes such as an 'urban extensions' would represent a more sustainable form of requirements to enhance in-commuting capacity for both employees and residents travelling throughout the city for work or pleasure. More radical approaches will be required to maintain our position as an employment hub going forward.

5. Skills

Whilst the city has the highest population qualified to NVQ level 4 and above at 61%, alongside Cambridge, this does contrast with areas of the city where high percentages have no/low qualifications and below average performance of Oxford's state schools.

What this means: In terms of skills within the local labour force this clearly shows that in Oxford's case there is a 'tale of two cities.' On the one hand the city has a highly skilled labour force, with a high proportion of Oxford's work force qualified to a high standard. This is particularly important given the key role played in Oxford's economy by the education, health and science sectors together with the wider knowledge economy. The claimant count is low in the City (0.9%), but higher than Oxfordshire (0.6%) and lower than the South-East (1.1%). The 'main out of work' benefits (circa 6,200 people) show Oxford's percentages to be lower than the South-East and England. These levels of employment do however mask the most critical inequalities within the city, the neighbourhoods in Oxford where there are 'pockets' of deprivation with ten neighbourhoods being amongst the 20% most deprived in England (health and education being key issues).

At the state school level Oxford has lower educational attainment levels than Cambridge and Reading. It is important to understand more fully what the other reasons are for this situation and suggest new possible solutions to ensure 'inclusive growth' city-wide. The findings of the **RSA's Inclusive Growth Commission** may be timely in this respect, and recommend bringing economic and social policy closer together to help reduce exclusion. The steering group should consider this in more detail **alongside continuing to support the work of the LEP, further education sector, city's welfare reform team and others in enhancing employability and skills** in a way responsive to local need.

Future growth forecasts

6. Projected growth in Oxford: Oxford's population will increase significantly to 180,000 by 2031, the demand for housing will rise to a requirement of 24,000 – 32,000 by 2031 and that the number of jobs will increase by 24,000. Longer-term population forecasts for the city suggest this will rise to 191,931 in 2040.

What this means: We have a well-documented and acute shortage of housing in Oxford, and forecasts that the population will increase significantly in the future. In line with the evidence from the Strategic Housing Market Assessment (SHMA) neighbouring districts have agreed to help meet Oxford's unmet housing need. It is therefore important for this future housing provision outside the city's boundaries is bought forward early and located adjacent to, or close to Oxford.

In relation to job growth it is clear in Oxford's case that this is 'planned growth' with sites already allocated for future employment development. In practise some of this forecast growth for Oxford and Oxfordshire has taken place

already with the most significant amount of job growth taking place in Oxford. This significant increase in population and jobs will have implications for the provision of infrastructure and the need to ensure that it can fully cope with the additional capacity envisaged.

It is clear even now that Oxford's transport system is already at capacity with demand for road space considerable and the need for more radical measures to support the movement of a larger number of people throughout the city. This requires the use of 'smart approaches' and the development of innovative ideas to achieve better traffic management, but also transport solutions such as 'Mass Transit' and 'super cycle lanes' that will seek to move greater numbers of people. The recent new train link from the City centre to the new station at Oxford Parkway is a major improvement, but its rapid uptake only highlights the need for other local and sub-regional rail schemes to be progressed as a matter of urgency.

Given ongoing population growth, a continuing drive towards a more sustainable economy will be vital across everything from energy, tourism, transport, air quality, food, water, bio-diversity, and green space and waste if we are to help sustain quality of life and our environment. Consideration of new economic models such as the sharing economy and smart growth approaches will be important.

Oxford's economy

7. A diverse and resilient economy: As well as a very high proportion of health and education workers, ICT, construction, professional, scientific and technical services also have above average location quotients (ratio of workers to national average). Creative industries, retail and hospitality then also feature prominently in real terms.

What this means: The diversity of Oxford's economy has contributed to the city becoming one of the fastest growing economies in the UK, of course under-pinned by the output of our two universities. This is clear evidence of the areas inherent strength and together with the performance of key companies shows how Oxford has been able to weather previous downturns in the national economy. The city is home to diverse international enterprises including BMW Mini, Oxford University Press, Sharp, Natural Motion, Unipart and Centrica among others. Oxford's economy is broad-based and structurally resilient and provides one third of the county's jobs.

It therefore remains important that the emerging policies within the Local Plan 2036 together with other overarching strategies recognise that existing key companies and sectors need to be supported and allowed to modernise and grow on their existing sites. There should be provision made within the city and immediate surrounds of space for **companies to start-up and grow within the city**, and ensure some employment space within sustainable urban extensions, requiring **further joined up planning with our neighbours**. Companies looking to move to the city, particularly those with strong ties through collaborations or established markets, supply chains, need space either land or premises to meet their requirements. University spin-outs are often looking for space within the City centre to be close to the University of Oxford. It is also important for the providers of business to business and business to consumer services are supported and protected to ensure that these services and uses are available within Oxford to contribute to the 'eco-system' that allows the economy to function properly.

It is also important to recognise that this diverse base of growing employers will also require a growing range of workers. In all likelihood, we will **continue to need to optimise local talent and in-migration**. The approach to enhance the responsiveness of our skills system and work on employability must continue. However, the **rules on immigration**, however they are shaped by the next parliament, must be something we seek to influence with the concerns of our labour market in mind.

8. Dominance of medium and large businesses: Oxford is home to 5,265 active enterprises, a similar number to Cambridge and Norwich. Oxford has a comparable number of micro and small businesses to Oxfordshire and the South-East. The proportion of medium sized businesses (3.1%) and larger businesses (0.9%) are almost double the proportion in both Oxfordshire and the South-East. The largest 40 employers across Oxford are estimated to provide around 70,000 jobs in the city, almost half the employee jobs within the city of Oxford. However, c54,000 of that

total are public sector workers within the universities, health service and local government. That leaves circa 16,000 in the private sector across around 33 private businesses with several growing medium businesses not on the top list in the narrative, see appendix 1.

What this means: This further highlights the importance of Oxford as a location and a centre of employment and growth hub. Many of the larger employers include Universities, health and local government. Although the structure of Oxford's economy shows a relatively low business density this contrasts significantly with the high job density within the city. In order to ensure that Oxford's medium and large firms continue to flourish within the city, **it will be important through the Business Engagement Strategy and working with partners to make sure that 'business retention' and the attraction of new businesses allied to Oxford's strengths are supported and promoted.** The uncertain political and economic landscape will also require a range of responses including lobbying, land-use, transport, housing and skills. Many of those large and growing companies will need space to expand and grow where possible either on their existing sites or elsewhere within the city or wider sub-region; a transport system that can promote sustainable travel for staff; sufficient housing either within the city or nearby; and the ability to retain and or recruit staff to the area.

Travel to work

9. Travel to work: Oxford has the highest proportion of people commuting to work by public transport followed by Reading. Cambridge, Milton Keynes and Swindon all have significantly lower proportion of people using the bus, train or metro; whilst Norwich has the lowest of all the comparable cities.

Growth in commuting: Over ten years between 2001 and 2011 there has been a large increase in the number of inbound commuters travelling from outside the district to work in Oxford by car for most of the journey. Within the city commutes made mainly by bicycle, on foot or bus have all increased. More people commuting from Oxford to other destinations are travelling by train or bus than in 2001.

What this means: Oxford already has a local labour force that use public transport to travel to work. Whilst this has been successful over the years the city is close to capacity and with the future population and job growth forecast the **solutions need to be radical to properly meet future demand. This requires effective and innovative traffic management solutions together with the implementation of the Oxford Transport Strategy (OTS) that will seek to implement 'Mass Transit' approaches to moving larger numbers of people and the development of walking and cycling strategies.**

For those travelling from outside the city to work there still appears to be a high proportion of people travelling by car. New housing and employment developments should be allocated in sustainable locations where a range of sustainable travel options are available as opposed to the car. These should wherever possible link with existing transport networks so that their greater patronage will help support existing services and new last mile transport solutions. **The work with the National Infrastructure Commission is vital in respect of securing investment in Oxford and the wider growth corridor to Cambridge. We will also need to get better at securing wider sources of investment in infrastructure.**

Smart solutions around transport as a service, demand management and demand response will need to be employed effectively. Our digital connectivity should allow this and remain a vital part of the offer (early adoption and use of 5G).

10. Structure of economy: There is dominance in Oxford of the service sector as compared to the industrial occupations.

What this means: This trend defining the broad structure of the economy has continued in Oxford over the decades with the service sector becoming more dominant.

Whilst this follows a long-standing trend over the years, what this does not show is the importance of key industrial uses such as BMW and those of other companies in the area, which has a productivity impact, a complex supply chain impact, and contributes 62% to the city's exports. It is therefore important to develop a deeper understanding of the role and economic contribution made by individual companies and key sectors in Oxford's economy. This intelligence would be particularly useful given the changing economic landscape and the need to support existing companies. It will assist with scenario planning for future models and sectors that will ensure economic sustainability.

Employment land supply and commercial property market

11. Employment land supply: The Housing and Economic Land Availability Assessment (HELAA), published in 2016, identified capacity for additional wider economic uses, which comprises approximately 300,000 sqm of B1 (offices); around 92,000 sqm of B2/B8 (industrial); and 200,000 sqm (leisure and community uses). The Employment Land Assessment (ELA) was undertaken as a sister document and focused on office (B1) and industrial sites (B2/B8) only, assessing 118 employment sites.

What this means: The HELAA in accordance with Government advice assessed the capacity for both housing and economic uses in one combined study. The ELA focused specifically on the performance, quality and intrinsic characteristics against a range of key criteria, together with forecast job growth and an assessment of the demand and supply of employment land and premises to see whether it will be sufficient to meet future demand.

The ELA concluded that Oxford currently has 1,030,728 sqm of office (B1) floor space and 151 ha of industrial land (B2, B8), which includes occupied land, vacant sites and buildings and those with planning permission. Most of the vacant land has proposals for development, including planning permission, and is expected to be built out in the short-term and medium term. **The consultants concluded that: 'there is an undersupply of employment premises and land to meet the forecast demand in Oxford 2036'.** This is something that will need to be properly addressed through emerging policies in the Local Plan 2036, together with wider over-arching strategies such as the Strategic Economic Plan (SEP). The future policy direction of the Local Plan should therefore seek to safeguard key employment sites, allow for their modernisation to make better and more efficient use of these sites, ensure some employment use is included as part of mixed-use developments. Promote opportunities to maximise employment uses within the City and District centres in their role as 'innovation hubs.'

12. Property market review: The property market has responded to the constraints in Oxford, which has resulted in very little new office development coming forward within the City centre and more provision for medium and larger sized offices being built at the Business Park and Science Park in out-of-centre locations. Demand for offices in Central Oxford has been largely unsatisfied in the last two years. The supply of Industrial space (B2/B8) has been focused on a limited number of employment sites, mainly in out-of-centre locations such as the south-east of the city, with some having been lost to other uses, such as residential or student accommodation. The demand for industrial space appears to be steady but any growth is constrained by the limited opportunities available.

What this means: Given the scale of the forecast job growth, there does need to be a positive response from the property market, whilst the supply of sites particularly in the short-term continues to be a challenge. **Positively, a great deal of development is however on the near horizon (Science Park, Business Park, N. Gateway, Churchill, and Oxpens). Efforts should be on bringing this space forward collectively.** Nevertheless, in relation to office space it will be important to make best, most creative, efficient use of existing space and encourage modernisation wherever possible. **Greater use should be made of sites within both the City centre and District centre to promote co-working, start-up and grow-on space opportunities (particularly for fast growing spin-outs but also local service providers),** together with new office space potentially being provided as part of new mixed-use development sites. It will be important to create a 'pipeline' for additional supply of office space if the city is to play its role as a fast-growing city and generate more economic growth. Some level of increased churn in occupancy will help generate further dynamism. **Specifically, more needs to be done to increase the attractiveness and accessibility of 'Eastern Arc' sites that can accommodate growth now.**

Industrial space does need to be provided by the market to ensure that a diverse range of businesses can operate within the city to support the local economy and the supply chain for key sectors. Whilst the employment land supply is limited the protection and modernisation of key employment sites must therefore play an important role. To a degree the property market is already responding through the regeneration and redevelopment of existing sites, such as Horspath Industrial Estate, Ashville Way, the new Trading Centre in Sandy Land and the redevelopment of the Post Office Sorting Depot. Other established industrial locations such as Osney Mead and the Oxford Business Centre (Oxpens) are however likely to be regenerated but as part of the growth of key sectors, such as research and development and teaching associated with the University of Oxford. Cooperation with neighbouring areas will be important here to ensure a range of space in the greater Oxford market can meet evolving business needs.

Living in Oxford

13. Affordability and House Prices: Oxford and Cambridge stand out, outside London, as the places with the most significant affordability issues, given the combination of high demand, desirability of place, and strong economies. The average house price in Oxford for all dwelling types has risen to £426,393 as of March 2017 (Land Registry) which is around £75,000 more than Oxfordshire. The latest affordability ratio is 16.73:1, the least affordable city⁴.

What it means: Changes in market trends aside, there is forecast to be a significant long-term increase in job growth in Oxford, and this will add further pressure to the city's acute housing shortage. Existing companies within Oxford and those wishing to move to the city have highlighted the importance for their staff of being able to live either within the City or the wider sub-region. The labour market in Oxford is already 'tight' so companies need to be able to both attract and retain staff for their businesses to continue to generate economic growth that the city, region and nation need to increase prosperity.

Emerging policies in the Local Plan 2036 should therefore seek to maximise the supply of residential development within Oxford and continue to work with neighbouring authorities to help meet the city's 'unmet need.' Future housing does need to be provided close to Oxford, where jobs are available and the supply likely to increase, since this offers a 'sustainable' approach to development, which will limit the need to travel and therefore reduce congestion and potentially improve air quality. Bringing these large urban extensions forward is a priority. The inter-relationship between housing and employment is and will continue to be an important factor in promoting and supporting the future success of Oxford's economy. Perhaps supporting employers to help address the issue on their own estates and the efforts of the local authority housing company will be important as a range of tenures at affordable rates will be needed to ease inequality and retain valuable staff locally.

The draft Oxford Economic Narrative can be downloaded from Dropbox by [clicking this link](#)

⁴ Centre for Cities 2017.