

DERBYSHIRE COUNTY COUNCIL

CABINET

11 October 2016

REPORT OF THE CHIEF EXECUTIVE

**DERBYSHIRE ECONOMIC REVIEW – SEPTEMBER 2016
(Strategic Policy, Economic Development and Budget)**

1. Purpose of the Report

To present the latest Quarterly Economic Review – September 2016 to Cabinet.

2. Information and Analysis

Background

The Derbyshire Economic Review is a quarterly economic update produced by the Council. The update, which is attached at Appendix A for consideration, provides an overview of the current economic conditions in Derbyshire and summarises key economic trends to support broader discussions and policy developments across the Authority. The Review also supports and facilitates the delivery of partnership activity, most notably through the Derbyshire Economic Partnership, the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP), and the D2N2 Infrastructure and Investment Board. The Economic Review is available electronically on the Derbyshire Observatory at the following link <http://observatory.derbyshire.gov.uk/IAS/lea/>

Summary of Key Findings

The key findings for the latest quarterly review are outlined below:

- There has been a drop in the level of economic growth in Derbyshire in the second quarter of 2016, reflecting a fall across the East Midlands Chamber of Commerce (EMCC) area (Derbyshire, Leicestershire and Nottinghamshire). However, a note of caution has been placed on this quarter's results by EMCC who feel the EU referendum may have impacted on the results. It feels that the more relevant statistics for local authorities will be the post Brexit-results relating to quarter three which will be reported on in the Autumn.
- Sales and orders for the county's firms have shown a fall in the second quarter of 2016, particularly exports. Again this may be in part due to the uncertainty caused for businesses in the run-up to the referendum. However, despite the

drop in performance during this quarter, the outlook remains stable with an improvement in the confidence of firms locally about future turnover and profitability.

- The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) as well as out of work Universal Credit (UC)¹ claimants, is currently 1.3%, lower than the England rate of 1.7%. The rate had been on a downward path for a number of years, however the rate has levelled off and this is the sixth consecutive month where the rate has remained the same at 1.3%. In some areas of the county the rate remains stubbornly high including parts of Ilkeston, Chesterfield, Gamesley and Clay Cross.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is at 29.7%, just above that for England (29.3%). This represents 205 fewer long term claimants than the same time last year, despite an increase of 4.9% points. This is because total unemployment has fallen at a faster rate than long-term unemployment. However, the long-term unemployment proportion has been increasing steadily in Derbyshire since early 2015 and is a trend to monitor in future quarters.
- The youth unemployment rate in Derbyshire stands at 2.0%, the same as for England. Having declined for much of the time since the economy came out of recession, the rate has been pretty much unchanged since early in 2016. Whilst the county's youth unemployment rate is fairly low, the proportion of young people who have been out of work for more than a year has been increasing and now stands at 22.6%, higher than the previous peak of 21.0% in November 2013.
- The proportion of residents claiming an Out-of-Work Benefit (OoWB) has been falling steadily and at 8.4% is now the joint lowest it has been since this indicator was first published in 1999. In February 2016, there were 2,650 fewer county residents (8.4%) claiming an OoWB than the year before, lower than the England average of 8.7%. Despite this, in three wards more than 20.0% of 16-64 year olds are claiming an OoWB, the same number as in the previous quarterly economic review. These wards are Gamesley in High Peak, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield.
- Firms have been recruiting in Derbyshire this quarter, although there have also been some job losses. On the positive side, work is set to start on the £400m tourist resort, Peak Resort, near Chesterfield which will create 400 construction jobs and when complete will generate 1,400 jobs. Other job gains include Alfreton based A1Comms unveiling plans for a new call centre in Derby leading to 100 jobs, and Network Rail revealing that 88 jobs will be created in Derby as part of the upgrade of the region's railways. Additionally, 28 jobs have been secured in Swadlincote at Hobby Products, an importer of remote controlled cars through its sale to HPI Racing Holdings. Unfortunately, Courtaulds Ltd of Belper went into administration in May with the loss of 350 jobs, and Abru Ladders also based in Belper announced that 120 jobs will be lost when all production moves to Essex. 20 jobs were also lost in Derby when convenience chain, My Local, went into administration with the possibility of further closures in Buxton and South Normanton.
- The economic activity rate in Derbyshire has risen for the second quarter in

succession with over 80% of the county's working age population being economically active. The county's economic activity level has tended to be higher than nationally, but following a reversal in September 2015, latest figures see the gap between the county and England widening. This improvement is reflected in the employment level which has increased by 1.5% points on the previous quarter to 77.7%. Additionally, self-employment levels have increased for the second quarter in succession, although the county's self-employment rate is over 2% points lower than the national figure.

- The average price of a house in Derbyshire in June 2016 was £160,257, more than 30% lower than the £229,383 England average. House prices have been rising for more than three years, however, the gap with England is widening as the national annual growth of 9.3% exceeded the 6.8% annual growth figure for the county. Despite this it is encouraging that average house prices in Derbyshire are now 3.6% above their pre-recession peak².

'In focus' topic – 'Derbyshire's Customer Segmentation Model'

Local authorities continue to face significant budgetary challenges. This has placed increased emphasis on the need to target resources and ensure services are tailored to the needs of residents and communities. Customer insight is a process of gaining an understanding of customers and their needs, knowledge on how they are using services, therefore enabling the Council to react and adapt delivery and design to ensure that services reflect need and are the best they can be whilst providing value for money.

Within Derbyshire County Council the model has to date been largely used to understand populations and their service use, find suitable locations for projects, and identify specific segments of the population for marketing purposes. It is hoped that the Derbyshire Customer Segmentation Model will also be used to further support work across the Council, such as on the 'One Public Estates' programme that looks to use public sector assets more effectively to deliver more integrated services and create local economic growth.

3. Equality and Diversity Considerations

Although overall and youth unemployment in the county is now very low, unemployment is still an issue in some areas. For example in Rother the youth unemployment rate is 6.8%, more than three times the national rate. Additionally, the proportion of unemployment claimants who are long-term unemployed is increasing locally. National research by the Joseph Rowntree Foundation says that unemployment remains an issue in many deprived communities, despite jobs often being available. Poor access to transport links and lack of skills are felt to be contributing to people being disconnected from labour markets.

The report identifies that a greater proportion of Derbyshire's deprived areas are

deemed to be disconnected than nationally, so it is important that the transport and skill needs of local deprived communities are included in initiatives to improve employment outcomes. This includes the Area Based Review of post-16 learning provision across the D2N2 Local Enterprise Partnership which is to be carried out by the Department for Business, Innovation and Skills. It will be important that the needs of learners from different backgrounds are included in this Review. Additionally, the Council's apprenticeship and work placement schemes are aiming to help young people make the transition from education to employment.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, human resources, social value, environmental, health, property and transport considerations.

5. Key Decision

No

6. Call-in

Is it required that call-in be waived in respect of the decisions proposed in this report? No.

7. Background Papers

Files and supporting papers are held in the Policy and Research Division, Chief Executive's Office.

8. Officer's Recommendation

That Cabinet note the information presented within the Derbyshire Economic Review – September 2016 and that the findings be used to support future service planning and policy development.

Ian Stephenson
Chief Executive

¹ Universal Credit is currently being rolled out across the UK, and is designed to support people who are on a low income or out of work. It is replacing Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit, and Housing Benefit.

² House price data is from the UK House Price Index. This is an experimental measure introduced in June and replacing the previous house price indices published separately by ONS and the Land Registry. The housing data presented in this edition of the Economic Review is therefore not comparable with that in previous editions. Data is also now presented for England as opposed to England and Wales as was the case in previous Economic Reviews.

Derbyshire Economic Review - September 2016

Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire¹ economy both in a national and local context. The report provides a “snapshot” of the Derbyshire economy, to help inform the development and delivery of future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: ‘Derbyshire’s Customer Segmentation Model’.

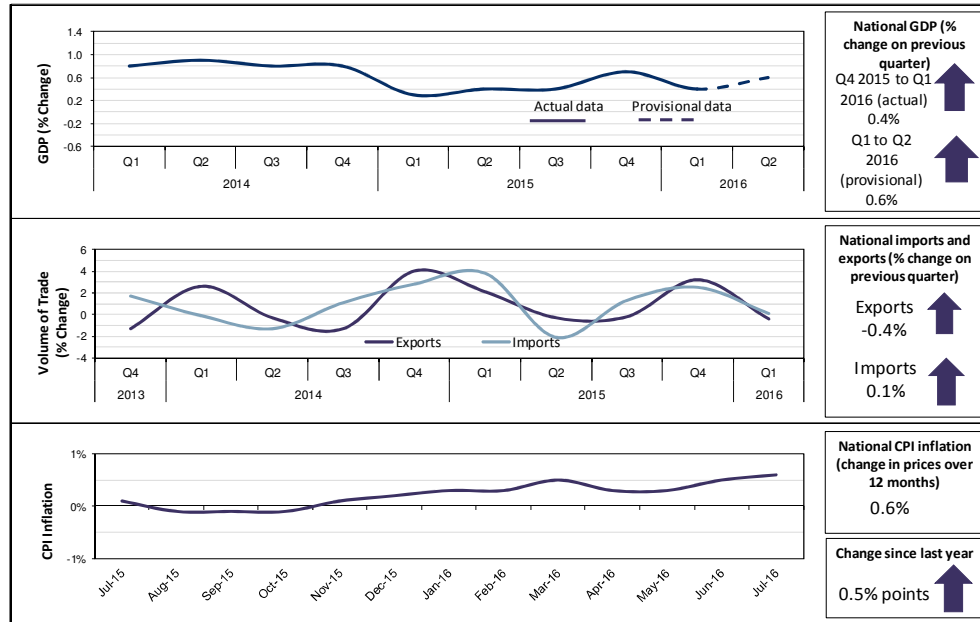
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Overview

- The UK economy expanded by 0.6% in the first quarter of 2016, an increase on the 0.4% the previous quarter, boosted by growth in services and particularly production, which saw its best quarterly performance in 17 years. However, the economy performed better in the earlier part of the quarter than the latter, and it has been suggested by some economists that the loss of momentum may indicate a period of weakening.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 0.6% for the 12 months to June, continuing the upward trend since Autumn 2015. The rate is at its highest since November 2014, and although below the Bank of England’s target of 2.0% the upward movement is forecast to continue.
- There has been a drop in the level of economic growth in Derbyshire in the second quarter of 2016 according to the East Midlands Chamber of Commerce’s State of the Economy Index (EMCC), reflecting the decline regionally. However, EMCC has issued a note of caution with this quarter’s results due to potential anomalies arising from the survey coinciding with the EU referendum, and uncertainty for firms surrounding this.
- The employment rate in the county has risen to 77.7%, which has seen the gap with the England figure (73.9%) widen this quarter.
- The overall claimant unemployment rate in Derbyshire stands at 1.3%, below the 1.7% for England. However, unemployment remains relatively high in some wards including Cotmanhay (3.8%), Ilkeston North (3.6%) and Ilkeston Central (3.1%) in Erewash; Rother (3.7%) in Chesterfield; Gamesley (3.5%) in High Peak, and Clay Cross South (3.3%) in North East Derbyshire.
- 28.8% of all Jobseeker’s Allowance claimants in Derbyshire have been out of work for more than a year, similar to the national average (28.7%).
- The youth unemployment rate has been virtually unchanged since the early part of the year, and stands at 2.0%, the same as that nationally. However there has been an increase to 13 in the number of wards where youth unemployment is more than double the national rate, with the greatest values being in Rother, Ilkeston North, Elmlton-with-Cresswell, and Shirebrook North West wards.
- Houses prices in Derbyshire are increasing but the annual growth of 6.8% is lower than the national increase of 9.3%, and the gap continues to widen with England.

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), the main national indicator of economic growth, is estimated to have increased by 0.6% in the second quarter of 2016². This is an increase on the 0.4% in the first quarter of 2016, with output increasing in two of the four main industrial groupings. The service sector increased by 0.5% and production increased by 2.1%. In contrast, construction decreased by 0.4% and agriculture by 1.0%. The overall GDP growth was higher than expected, boosted by the best performance in the industrial sector in almost 17 years. However, the economy performed better in the earlier part of the second quarter than the latter part, and some commentators are suggesting this loss of momentum may be a prelude to a period of weakening.

The UK trade balance widened from -£13.4bn to -£14.1 in quarter 1 of 2016³, with exports decreasing by -0.4% and the value of imports increasing by 0.1%. Although total exports declined, the export of goods was up by 1.9%. The widening of the UK trade deficit means that trade made a negative contribution to GDP this quarter.

The interplay between imports and exports will be an important dynamic to monitor

in the wake of the Brexit vote. Uncertainty in the trading arrangements between the UK and EU may dampen investment from exporters until the picture is clearer, but the weakness in the pound following Brexit may give firms exporting a boost.

The annual CPI inflation rate currently stands at 0.6% for the 12 months to July 2016⁴, a marginal increase on the figure of 0.5% for June. This continues the upward trend of the past few months with inflation at its highest rate since November 2014. A rise in the cost of motor fuels helped push the rate higher alongside alcohol and hotel price increases. Whilst the ONS does not feel there is any impact on prices following the EU referendum result, it feels that the fall in the exchange rate is beginning to push up import prices for some manufacturers. The Bank of England (BoE) has suggested that the rate will rise above its 2% target over the medium term.

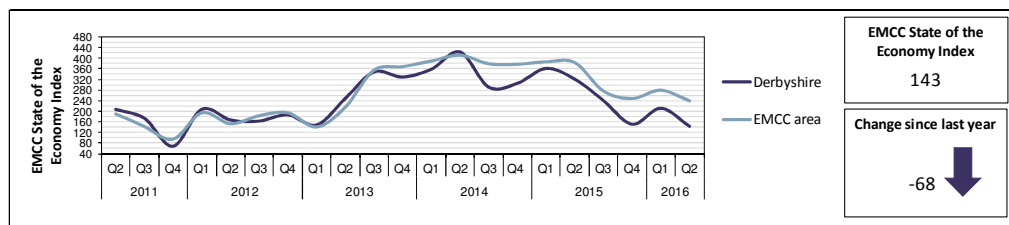
The BoE cut interest rates from 0.5% to 0.25% in August⁵. This is a record low and the first cut since 2009. The decision by the BoE's Monetary Policy Committee was part of a number of measures to support the economy following the EU referendum. The Bank feels that there is a risk that economic growth will slow post Brexit and that a rate cut will help to reduce uncertainty and boost confidence. The BoE highlighted the following national trends as at July 2016⁶:

- Annual growth in consumer spending eased slightly during the month up to the EU referendum.
- Business services turnover growth remained modest, amid reports that major business decisions were being delayed ahead of the referendum.
- Manufacturing output for the domestic market showed a moderate increase.
- Construction output growth had eased slightly.
- Credit availability had improved a little across all sizes of company.
- Investment intentions showed modest growth.
- Activity in the housing market remained subdued and lower than a year earlier.
- Employment intentions slowed a little further. Although recruitment difficulties had eased they still remained above normal.

More information can be found at:

<http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx>

Business Conditions



In quarter two of 2016 there was a dip in the level of economic growth in the county, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷, reflecting the fall across the Chamber area. However, it is important to note that EMCC has put a note of caution around the latest quarter's results. The Chamber feels that with the survey fieldwork taking place in June, uncertainty surrounding the EU referendum outcome is likely to have created anomalies in the results. It feels that the more relevant statistics for local authorities will be the post Brexit-results relating to quarter three that will be reported on in the autumn.

The second quarter has seen economic growth decline with the level at its lowest position for more than four years⁷, with sales and orders showing a fall, particularly exports. Businesses like certainty and the lingering uncertainty in the run-up to the referendum has been a contributory factor. However, despite the drop in performance this quarter, the outlook remains stable with an improvement in business confidence.

Investment

The Derbyshire Economic Partnership received two enquiries from firms seriously looking to invest in the county⁸ between May and July 2016. This is lower than the 11 enquires in the corresponding quarter a year ago and may in part reflect firms delaying investment decisions linked to uncertainty around the EU referendum.

Over the past three months, construction was completed on the £36m 420,000 sq. ft. distribution centre for Great Bear Ltd at Markham Vale, which when fully operational will create 400 jobs. Construction is progressing on the £7.6m Seymour Link Road which will bring forward a further 70 acres of fully serviced development land on Markham Vale North. Construction of a 220,000 sq. ft. distribution facility has commenced for a German car parts company, Ferdinand Bilstein Ltd, creating an initial 150 jobs when operational in early 2017 with expansion plans to create a

further 250 jobs over the coming years. Subject to securing planning permission, agreement has been reached for a speculative development comprising 15 workshops and office suites. Also detailed negotiations are progressing with two new occupiers for a 480,000 sq.ft logistics centre and a 58,000 sq. ft. manufacturing unit. A further two new enquiries were received by the Markham Vale team, and to date a total of 938 jobs have now been created at Markham Vale.

Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between May and July 2016.

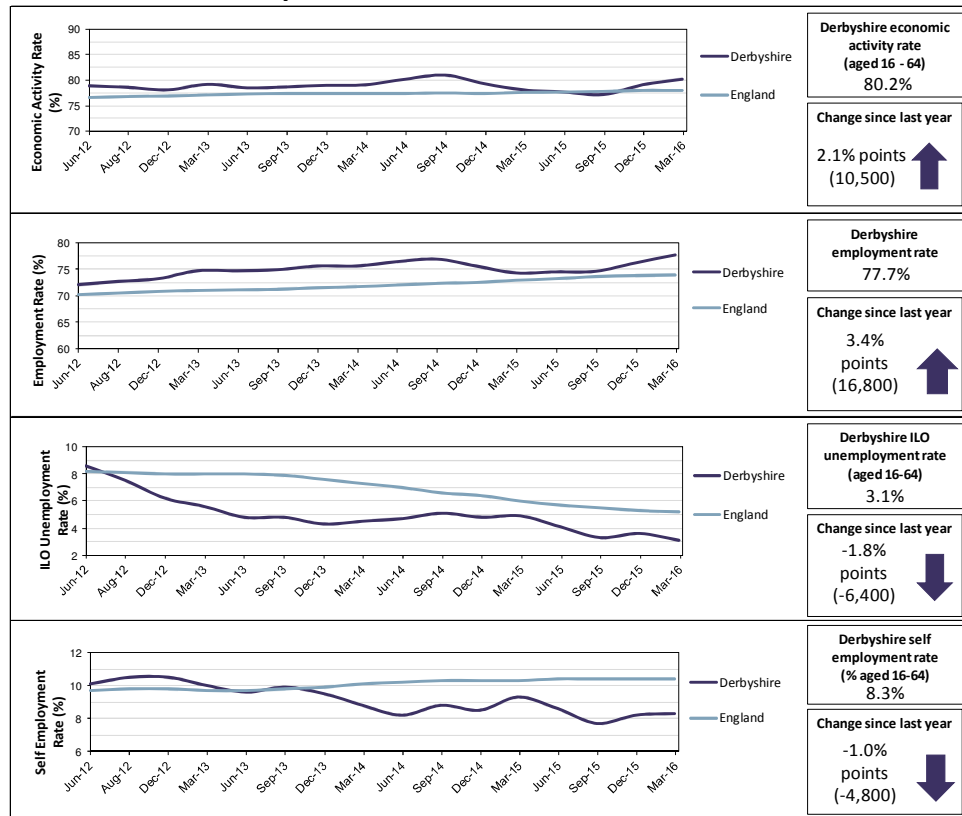
Job Losses

- Courtaulds Ltd of Belper went into administration in May with the loss of 350 jobs.
- Belper-based Abru ladders announced at the beginning of June the loss of 120 jobs when all production moves to its Maldon site in Essex.
- At the end of June convenience store chain My Local went into administration, with the immediate loss of around 20 jobs, in Derby and the possibility of further branch closures at South Normanton and Buxton.
- 11 jobs were lost with the closure of The Derby Fireplace Company at the end of June.

Job Gains

- In June, it was announced that work is set to start on the £400m tourist resort, Peak Resort, Chesterfield, which will create 400 construction jobs, and when complete will employ 1,300 people.
- Alfreton based A1Comms unveiled plans in July for a new call centre in Derby leading to 100 jobs.
- In June, Network Rail revealed that 88 new jobs would be created in Derby as part of the upgrade of the region's railways.
- At the beginning of May, Pub chain Marstons announced that the opening of a new pub in Clay Cross would create 60 new jobs.
- Swadlincote based Hobby Products was sold to HPI Racing Holdings at the end of May, securing 28 jobs.
- At the beginning of July, craft firm Crafters Companion unveiled plans for a new centre at Dobbies Garden Centre, Barlborough providing up to 14 new jobs.
- In May, Wildgoose Construction stated that it is to take on 10 new trainees.

Labour Market Participation



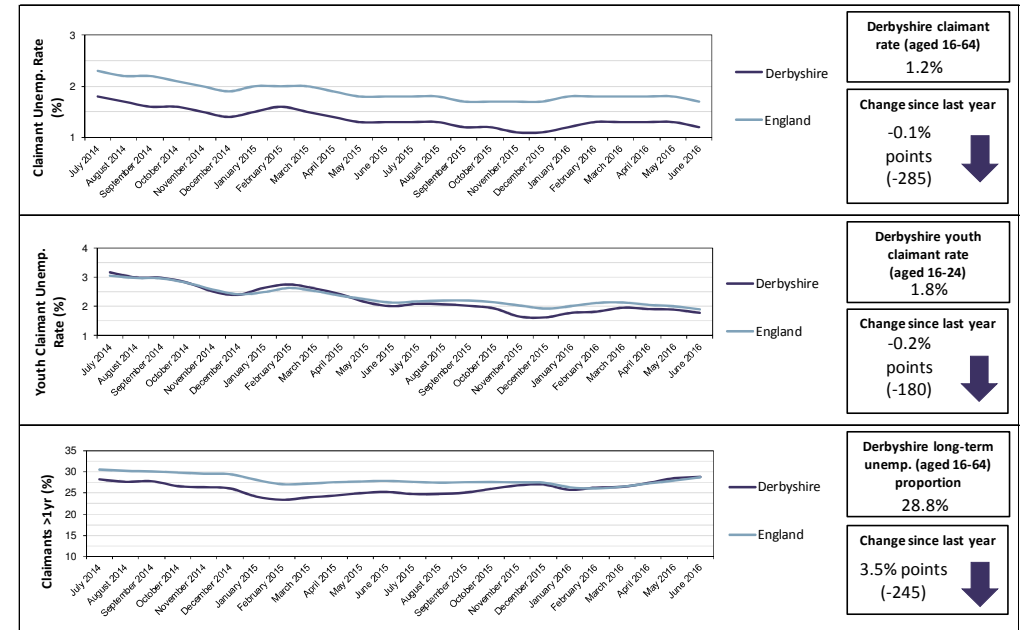
Source: Annual Population Survey, April 2014-March 2016, ONS (Nomis) © Crown Copyright.

The economic activity rate⁹ in Derbyshire has risen this quarter, to stand at 80.2%. Economic activity has been historically higher than the England rate, and excluding the dip in September 2015, this continues to be the case in quarter one of 2016. The improvement in economic activity is reflected in the employment rate¹⁰, which has risen from 76.2% to 77.7% this quarter.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance (JSA) or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

ILO unemployment remains on a general downward trend and at 3.1%, the ILO unemployment for Derbyshire is at its lowest level since the Annual Population Survey started in 2004. The local rate is lower than the 5.2% for England.

Although the self-employment rate locally has declined over the last year, this quarter's increase builds on last quarter's result, with the level rising slightly to 8.3%. This has seen the gap narrow with England, where the rate is 10.4%.



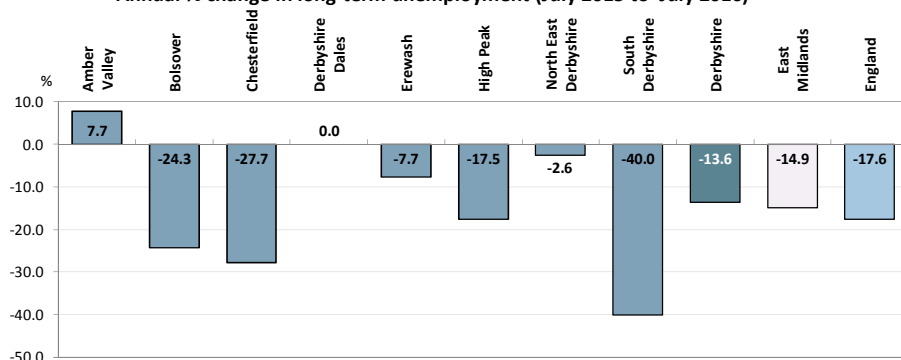
Source: Claimant Count, August 2016, ONS (Nomis) © Crown Copyright.

The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work UC claimants, is currently 1.3%, lower than the England rate of 1.7%¹². The rate has been on a downward path for around four years, however the rate has levelled off and this is the sixth consecutive month when the rate has been 1.3%. There are six wards where the rate remains above 3%, these are Cotmanhay, Ilkeston North and Ilkeston Central in Erewash; Rother in Chesterfield; Gamesley in High Peak, and Clay Cross South in North East Derbyshire.

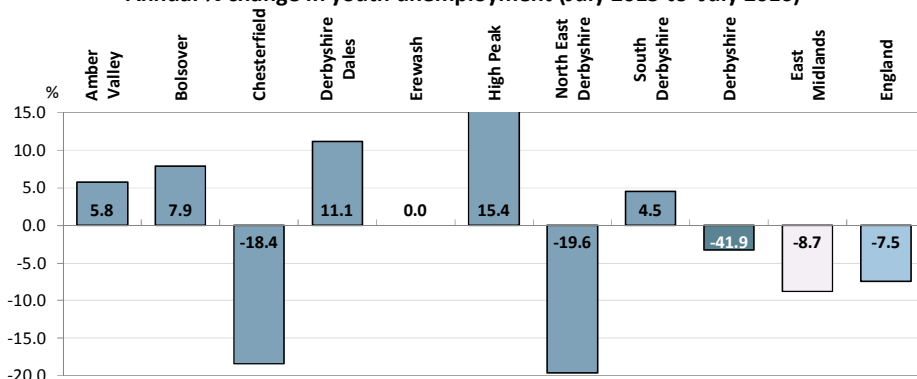
Labour Market

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is at 29.7%, just above that for England (29.3%). This represents 205 fewer long term claimants than this time last year, although an increase of 4.9% points. This is because total unemployment has fallen at a faster rate than long-term unemployment. Long-term unemployment has been increasing steadily in Derbyshire since early 2015 and is a trend to keep an eye on. All districts except Amber Valley, which has shown an increase, have shown a decrease in the number of people who have been unemployed for over a year in the last 12 months. The greatest annual decline is once again shown by South Derbyshire (-40.0%).

Annual % change in long-term unemployment (July 2015 to July 2016)



Annual % change in youth unemployment (July 2015 to July 2016)



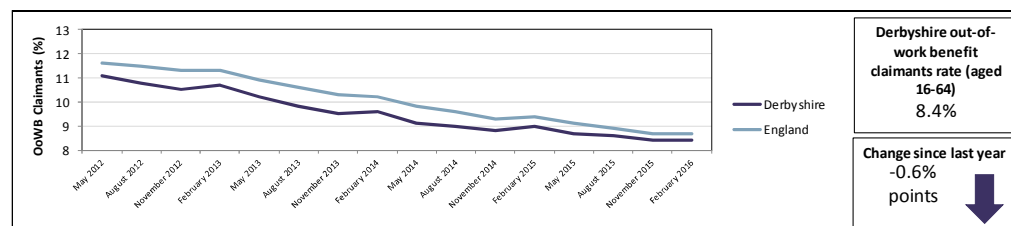
Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

Source: JSA (long-term) and claimant unemployment (youth), July 2016, ONS (Nomis) © Crown Copyright.

Labour Market

The youth unemployment rate¹³ in Derbyshire stands at 2.0% in July 2016, the same as for England. Having declined for much of the time since the economy came out of recession, the rate has been pretty much unchanged since early in 2016. However, there is a mixed pattern across the districts, with five showing an increase in the number of unemployed young people. Only North East Derbyshire and Chesterfield show a fall, with the figure for Erewash remaining unchanged. Additionally, the proportion of young people who have been out of work for more than a year has been on the increase and is now 22.6%, higher than the previous peak of 21.0%. The Council's apprenticeship and work placement schemes aim to help young people make the transition from education to training and employment.

National research by the Joseph Rowntree Foundation indicates that unemployment remains an issue in many deprived communities, despite jobs often being available. Poor access to transport links and lack of skills are felt to be contributing to people being disconnected from labour markets. The report identifies that a greater proportion of Derbyshire's deprived areas are deemed to be disconnected than nationally, so it is important that the transport and skill needs of local deprived communities are included in initiatives to improve employment outcomes.



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-owwb>

The proportion of residents claiming an Out-of-Work Benefit (OoWB) has been falling steadily for the last six years and at 8.4% is now the joint lowest it has been since this indicator was first published in 1999. In February 2015, there were 2,650 fewer county residents (8.4%) claiming an OoWB¹⁴ than the year before, lower than the England average of 8.7%¹⁵. Despite this, in three wards more than 20.0% of 16-64 year olds are claiming an OoWB, the same number as in the previous quarterly economic review. These wards are Gamesley in High Peak, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield.

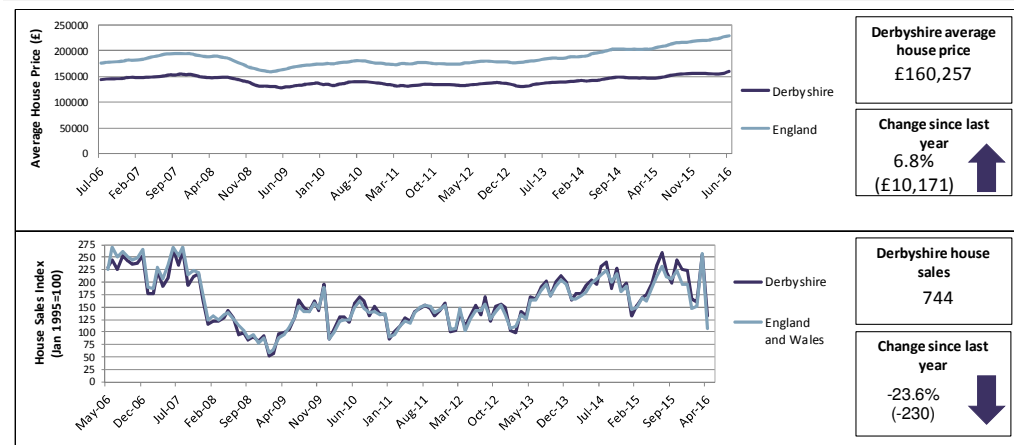
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (Feb 2016 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	55,630	11.5	11.4	-3,020	-5.1	↓
Out-of-Work Benefit Claimants	40,960	8.4	8.7	-2,650	-6.1	↓
Employment Support Allowance (ESA)	29,600	6.1	5.6	1,480	5.3	↑
- Long term claimants (1yr or more)	23,600	79.7	78.4	3,070	15.0	↑
- 18 to 24 year old claimants	2,590	8.8	7.9	170	7.0	↑
Lone Parent Income Support (LPIS)	4,310	0.9	1.1	-280	-6.1	↓
- 18 to 24 year old claimants	1,240	28.8	25.6	-160	-11.4	↓
Personal Independence Payments (PIP)	11,216	2.3	1.9	4,676	71.5	↑
Universal Credit (UC)	2851	0.6	0.7	2,548	Too soon for a meaningful figure	
JSA sanctions	211	Numbers too small		-263	-55.5	↓
Household benefits (May 2016)						
Housing Benefit claimants	48,330	14.2	17.6	-1,410	-2.8	↓
Households affected by removal of Spare Room Subsidy	5,035	10.4	8.5	-167	-3.2	↓
- 1 Bedroom	4,203	83.5	82.9	-81	-1.9	↓
- 2 or more bedrooms	832	16.5	17.1	-86	-9.4	↓
Benefit Cap	91	Numbers too small		-10	-9.9	↓

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.,

Notes: * PIP January 2016, UC April 2016 and JSA sanctions March 2016

11.5% of Derbyshire's residents are claiming benefits, including 6.1% ESA and 0.9% LPIS, similar to England's. However, as in the previous quarter the proportion of residents aged 18-24 claiming LPIS and long-term ESA claimants are higher in the county. There is a lower proportion of households claiming housing benefit (14.2%) than England (17.6%) but a higher proportion of claimants have been affected by removal of the spare room subsidy¹⁶. PIPs are in the process of replacing Disability Living Allowance, so the rates are currently low although increasing each month. This is also the case for Universal Credit, with the number of UC claimants having increased by more than 2,500 over the last year as claimants are transferred on to it. The majority of benefits in Derbyshire have seen a reduction in claimants. However ESA has seen an increase, in part reflecting its replacement of Incapacity Benefit, with a notable rise in the number of long-term ESA claimants. The benefit showing the greatest decline (-55.5%) is for people who have had their benefit stopped or reduced through sanctions. This will be linked to the fall in JSA claimants.



Source: UK House Price Index, Land Registry, June 2016, © Crown Copyright

In Derbyshire the average price of a house in June 2016 was £160,257, more than 30% lower than the £229,383 England average¹⁷. House prices have been rising for more than three years, however, the gap with England is widening as the national annual growth of 9.3% exceeded the 6.8% locally. Despite this it is encouraging that average house prices in Derbyshire are now 3.6% above their pre-recession peak. There is though considerable variation across the county, with the £241,268 average in Derbyshire Dales more than double that in Bolsover, at £114,408.

In June 2016, monthly house prices rose in seven out of the nine regions in England, with prices falling in the North East and the West Midlands compared with the previous month. The greatest annual growth was in the East of England, London and the South East. These areas saw double digit growth reinforcing the North-South divide nationally. The strength of the rise nationally appears to show a strong rebound from earlier in the year when buyers were nervous about the outcome of the EU referendum and its impact on the housing market. However, many property experts believe the Brexit vote will lead to a slowing in growth over the coming year.

At both the local and national level there has been a sharp dip in the volume of house sales. In April 2016 there were 744 house sales in Derbyshire, 23.6% lower than the year previously, and making this the lowest April figure for three years. The figures reflect recent comments by the Royal Institute of Chartered Surveyors that housing stock levels are at record low levels in many parts of the UK, and there is a lack of properties coming on to the market to replace those being sold.

Derbyshire's Customer Segmentation Model

Local authorities across the UK continue to face significant budgetary challenges linked to the ongoing period of austerity following the financial crisis of 2008/09. This landscape has placed increased emphasis on the need to target resources and ensure services are tailored to the needs of residents and communities. This In-Focus section looks at the customer segmentation model that has been developed by Derbyshire County Council (DCC) and how it can help to make service delivery more effective.

The concept of customer insight as a mechanism to drive improvement in public services has been around for a number of years, but the process of understanding people's needs, behaviours and attitudes and their interaction with services is seen as even more important in the current environment. It is in this context that DCC has developed its own customer segmentation model, which has been produced in-house by the Policy and Research Division with support from Quantum Insight Consulting.

Customer insight is a process of gaining an understanding of customers and their needs, knowledge on how they are using services, therefore enabling the Council to react and adapt delivery and design to ensure that services reflect need and are the best they can be. It can enable more targeted and efficient services to be designed and implemented throughout the county, and inform changes that produce real cost savings.

The Derbyshire model uses robust local census data to highlight a number of different types of population segments or 'sub clusters' within the county. A total of 18 sub clusters unique to Derbyshire were identified, and these are shown in the map on page 16. The use of robust small geography data is one of the key advantages of a locally developed model, rather than an 'off the shelf' segmentation package such as Mosaic or Acorn that use national data that is modelled down to a local level. Another advantage to having a locally developed model is that other local data such as library service users, attitudinal data from DCC surveys, and crime and road safety data can also be built into the model which can be used to provide insight into local customer needs and inform service planning and delivery.

Information on Council properties across most of the county has also been collected. By using the segmentation model service planners can gain insight into the predominant demographic characteristics, behaviour and attitudes of each sub cluster, and the council assets in an area. This provides the type of information that can help identify the different types of need in a locality, the type of service that is likely to be used by the local population and the currently available facilities.

Within the Council the model has to date been largely used to understand populations and their service use, to find suitable locations for projects, and to identify specific segments of the population for marketing purposes. For example, in analysing the communities surrounding Derbyshire's children centres, the model highlighted the positioning of one centre within a community that now consists of predominantly older residents, meaning recommendations could be made to either reduce the local service or move the provision to a location with higher demand. Also analysis of data examining the customer base and patterns of use in some of the county's libraries has highlighted trends in transactions which will help to increase their use.

The segmentation model can also be used to highlight areas with particular needs and characteristics when locating projects with a target population. For example, it has been used to suggest suitable areas for the DCC Thriving Communities projects, which were then refined through consultation with local stakeholders and members of the community. Encouragingly, in the process of drawing the boundaries of these areas much of the information contained within the model was confirmed by local people.

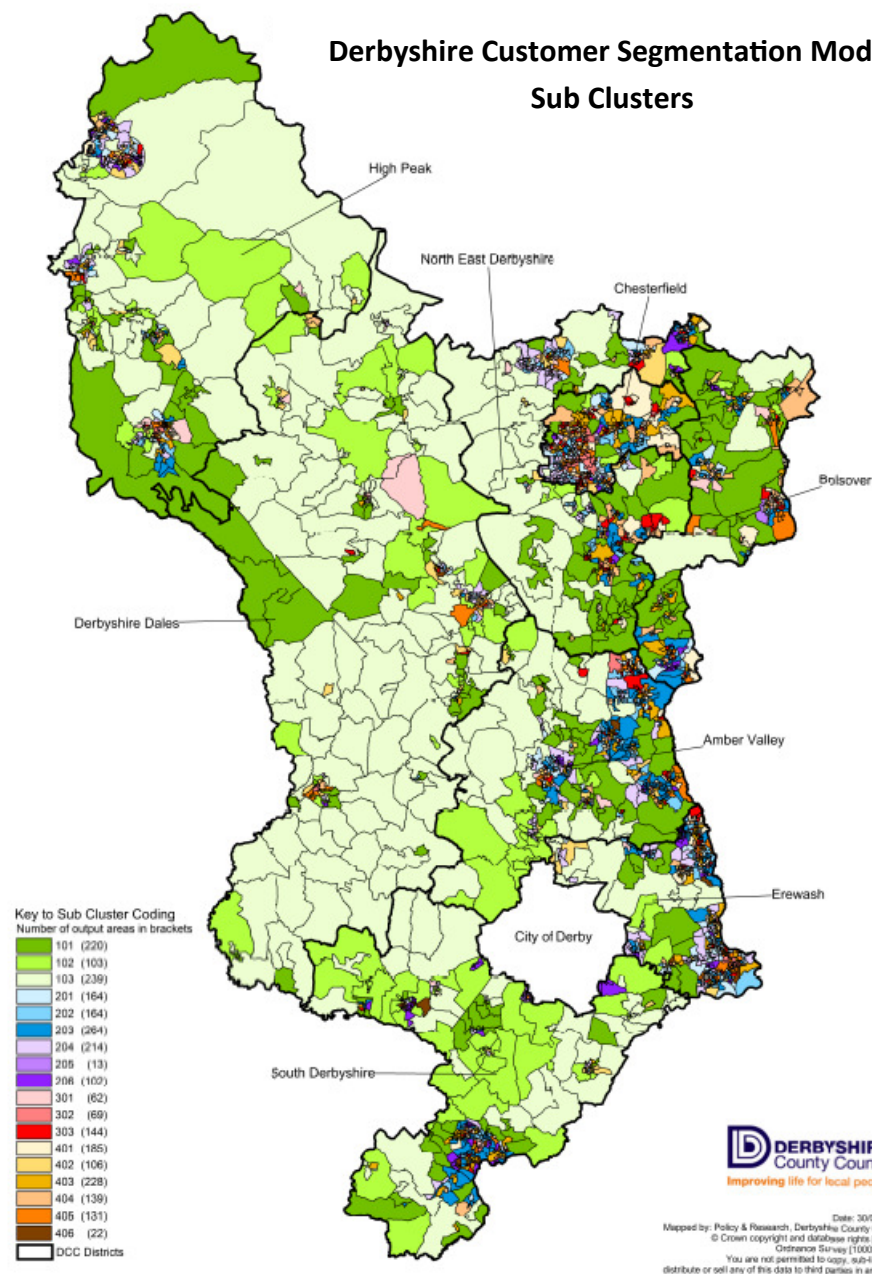
Customer segmentation has also enabled more targeted promotion and marketing of services. For example a campaign to encourage take-up of pension credits was informed by using the model to highlight suitable communities where there were a large percentage of potentially eligible residents. This reduced the volume of communication required and meant that the campaign could produce material focused on communicating directly to a specific audience.

There is potential for customer segmentation to be used in other ways. For example the model could be useful for companies looking to locate in the county, providing

information on the best locations for organisations requiring labour working in particular sectors or qualified to particular levels. It is also hoped the customer segmentation model will be used to further support work across the Council, particularly on projects such as the 'One Public Estate' programme that looks to use public sector assets more effectively to deliver more integrated services and create local economic growth.

For more information on the model or to discuss using the model for your service or project please contact research@derbyshire.gov.uk or 01629 538254. Further information can be found [here](#).

Derbyshire Customer Segmentation Model Sub Clusters



Note: the characteristics of each sub-cluster can be found on the Derbyshire Observatory [here](#).

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¹Data for Derbyshire in the review does not include Derby City unless otherwise stated.

²Gross Domestic Product (GDP) Preliminary Estimate, Quarter 2 2016, ONS © Crown Copyright. Published July 2016.

³Statistical Bulletin, Quarterly National Accounts, Quarter 1 2016, ONS © Crown Copyright. Published June 2016.

⁴Statistical Bulletin, Consumer Price Inflation (CPI), July 2016, ONS © Crown Copyright. Published August 2016.

⁵Bank of England, Monetary Policy Committee Decisions, August 2016. Published August 2016. Note, this indicator is known as 'the bank rate'.

⁶Bank of England Agents' Summary of Business Conditions, July 2016. Published July 2016.

⁷East Midlands Chamber of Commerce, Quarterly Economic Survey, Q2 2016. Published August 2016.

⁸Derbyshire Economic Partnership, 2015-2016. Published August 2016.

⁹The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

¹⁰The employment rate is the percentage of the working age population (age 16-64) who are employed including the self employed.

¹¹The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with the claimant count unemployment noted below.

¹²Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the Office for National Statistics now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate and long-term unemployment is still based on Jobseekers Allowance claimants.

¹³Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2014 Mid-Year Population Estimates.

¹⁴Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.

¹⁵DWP Benefits, February 2016, ONS (Nomis) © Crown Copyright. Published August 2016.

¹⁶Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

¹⁷UK House Price Index, ONS and Land Registry, June 2016, © Crown Copyright. Published August 2016. The UK House Price Index is an experimental measure introduced in June and replacing the previous house price indices published separately by ONS and the Land Registry. The housing data presented in this edition of the Economic Review is therefore not comparable with that in previous editions. Data is also now presented for England as opposed to England and Wales as was the case in previous Economic Reviews.

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