

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

2 June 2014

Report of the Strategic Director – Economy, Transport and Environment

**DERBYSHIRE ECONOMIC REVIEW – MARCH 2014
(JOBS, ECONOMY AND TRANSPORT)**

(1) **Purpose of the Report** To present the latest Quarterly Economic Review (March 2014) to Cabinet and provide an overview of the current economic conditions within Derbyshire.

(2) **Information and Analysis**

Background

The attached Derbyshire Economic Review is part of a rolling programme of quarterly economic updates provided as a 'highlight report' for use by Elected Members to support broader discussions and policy development work. The Review is undertaken by the Council's Policy and Research Division (Corporate Resources) and summarises key economic trends and activity using information from the Derbyshire Observatory. Each quarterly report spotlights a key economic issue; for this quarter this is poverty and financial exclusion.

The Review also enables the Council to support and facilitate the delivery of partnership activity, most notably through the Derbyshire Economic Partnership, the Local Transport Board and the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP).

A wider Local Economic Assessment (LEA) is also being completed for Derbyshire, which has more detailed analysis across a range of economic factors, highlighting key variations, geographical differences and potential implications for future action. The LEA will be presented to a future Cabinet meeting.

Summary of Key Findings

The following paragraphs provide a brief overview of the highlights from the attached Review document.

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Since the previous Quarterly Review, and within a national context of quarter on quarter growth (fourth consecutive):

- Derbyshire's economic performance has dipped slightly, although when taken over the last 12 months, performance remains strong, driven latterly by improved export sales and orders.
- Claimant unemployment, whilst slightly lower than the England average, has pockets of concern around Gamesley, areas of Chesterfield, Ilkeston and Bolsover.
- Long term unemployment and youth unemployment remain a significant concern, particularly in certain areas of the county e.g. Chesterfield and Bolsover (NB: in 19 out of 177 wards, youth unemployment is more than double the national average).
- Based on announcements issued between November 2013 and January 2014, there appears to be an overall net job increase, e.g. expansion at JCB, Markham Vale and Auto Windscreens.
- There are early signs that the housing market locally is beginning to pick up and house prices are starting to rise, although average house prices (£122,000) are significantly lower than the national average (£167,000).

Pages 3 to 11 of the Review provide more detail on the national and local economic context.

Poverty and Financial Exclusion

There is an indication that 5,000 fewer Derbyshire residents are in receipt of Out of Work Benefits than in 2012 (Department for Work and Pensions information 2013), however, it is too early to quantify how much of this is a result of increased employment or the result of Welfare Reform. Notwithstanding this, the amount of money Derbyshire individuals have for spending or saving is lower than the national average and has been falling over recent years, relative to the rest of the UK.

- This is creating very difficult circumstances in households across the county with:
 - Rising demand for debt advice services – in some parts of Derbyshire, over 32% of the population is struggling with debt.
 - Increased demand for food banks (nearly tripled over the last year).
 - Increased use of pay day lenders.

Pages 12 and 13 of the Quarterly Review provide more detail.

Implications

In response to the above conditions, Derbyshire County Council has implemented a number of actions including the following:

- Additional financial support to Credit Unions.

Public

- Additional financial support and elected Member leadership to the county's network of food banks.
- Development of an employment strategy for young people to improve access to jobs, education and training.
- Retaining a strong focus on wider economic regeneration, in partnership with other local authorities and the D2N2 LEP, to encourage inward investment and secure infrastructure development.

The Council is also using this quarter's information, along with the intelligence in the LEA, to help finalise the proposals and priorities of the Derbyshire Economic Strategy Statement (DESS), which will be reported to a future Cabinet Meeting.

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

(3) **Key Decision** No.

(4) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(5) **Background Papers** Appendix 1 – Derbyshire Economic Review (March 2014). All relevant background papers are held within the Policy and Research Division. Officer contact details - Mick Evans, extension 38474.

(6) **OFFICER'S RECOMMENDATIONS** That Cabinet notes the information presented within the Derbyshire Economic Review (March 2014) and that the findings be used to support broader discussions and policy development work.

Mike Ashworth
Strategic Director – Economy, Transport and Environment

Introduction

This review aims to give 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 aims to be a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: Poverty and Financial Exclusion.

Contents

Overview	2	<i>Labour Market Continued</i>	
National Economic Context	3	Claimant Unemployment Rate	8
Gross Domestic Product	3	Long-term Unemployment Rate	9
Volume of Trade	3	Youth Unemployment Rate	10
Consumer Prices Index	4	Out of Work Benefits	10
Bank of England Interest Rate	4	Housing Market	11
Local Economic Context	5	Average House Prices	11
Business Conditions	5	House Sales Index	11
Investment	5	In Focus	12
Job Losses and Gains	6	Poverty and Financial Exclusion	12
Labour Market	7	End Notes	15
Economic Activity Rate	7		
Employment Rate	7		
Unemployment Rate (ILO)	8		
Self Employment Rate	8		



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Overview

- Nationally, economic growth provisionally increased by 0.7% between quarter 3 and quarter 4 of 2013. This is the fourth consecutive quarter of growth and the Bank of England has highlighted that an economic recovery now appears to be underway. Of the four main industrial groupings within the economy (agriculture, production, construction and services) only construction (-0.3%) saw a decline.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The annual CPI rate stands at 1.9% for the 12 months to January 2014, down -0.1% points from December 2013, just below the national target of 2.0%.
- Although the performance of the Derbyshire economy has dipped slightly compared with the previous quarter according to the Derbyshire and Nottinghamshire Chamber of Commerce's State of the Economy Index, performance remains strong, driven by improved export sales and orders, and consolidates the improvement shown in 2013.
- The county has above average levels of labour market participation with an employment rate of 75.1% compared with 71.4% for England in September 2013.
- In January 2014, the overall claimant count unemployment rate is lower in Derbyshire (2.3%) than England (2.9%), although hotspots exist across the county where unemployment levels are severely high, e.g. Gamesley and Barms in High Peak and Rother in Chesterfield.
- Almost a third of all unemployment claimants in Derbyshire have been out of work for more than a year, a similar pattern to that seen nationally.
- Youth unemployment in Derbyshire stands at 4.1%, marginally higher than the England rate of 3.9%. In 19 out of 177 wards in the county the problem is particularly acute where the level of youth unemployment is more than double the national rate.
- Despite the emerging economic recovery, poverty and financial exclusion are issues in the county, with demand for debt advice services, food banks and the take up of 'pay day loans' on the rise.

Version	Author	Date	Contact
0.061 CONTROLLED	Policy and Research, Chief Executive's Office	27/03/2014	research@derbyshire.gov.uk
Source		Geography	
Various, see End Notes		Derbyshire, East Midlands, England	

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

² Gross Domestic Product (GDP) Preliminary Estimate, Quarter 4 2013, ONS © Crown Copyright. Published January 2014.

³ Statistical Bulletin, Quarterly National Accounts, Quarter 3 2013, ONS © Crown Copyright. Published December 2013.

⁴ Statistical Bulletin, Consumer Price Inflation (CPI), January 2014, ONS © Crown Copyright. Published February 2014. The CPI is the main UK domestic measure of consumer price inflation for macroeconomic purposes. It forms the basis for the Government's target for inflation that the Bank of England's Monetary Policy Committee is required to achieve.

⁵ Bank of England, Monetary Policy Committee Decisions, February 2014. Published February 2014. Note, this indicator is known as 'the bank rate'.

⁶ Bank of England Agents' Summary of Business Conditions, January 2014. Published January 2014.

⁷ Derbyshire and Nottinghamshire Chamber of Commerce, Quarterly Economic Survey, Q4 2013. Published January 2014.

⁸ Derbyshire Economic Partnership, 2013/14. Published February 2014.

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

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

¹¹ The 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. The ILO unemployment rate is the number of persons who are ILO unemployed expressed as a percentage of the economically active population (employed plus ILO unemployed). This is used in the Annual Population Survey and is not compatible with the claimant count unemployment noted below.

¹² Claimant 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.

¹³ Youth unemployment relates to people aged 16-24. The rates for young people at ward level are unofficial and have been calculated using population figures from the 2012 Mid-Year Population Estimates.

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

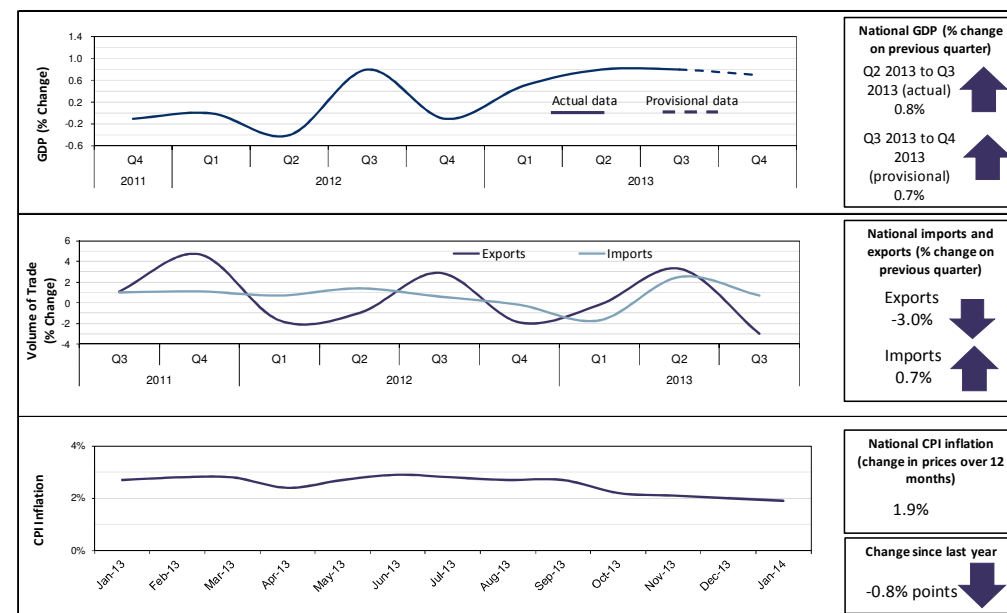
¹⁵ Department for Work and Pensions (DWP) Benefits, August 2013, ONS (Nomis) © Crown Copyright. Published February 2014.

¹⁶ House Price Index, Land Registry, December 2013, © Crown Copyright. Published January 2014.

¹⁷ Gross Disposable Household Income, 2011, ONS (Nomis) © Crown Copyright. Published 2013.

¹⁸ Indebted Lives, the Complexities of Life in Debt 2013, the Money Advice Service. Published 2013.

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), an indicator of economic growth, is estimated to have increased by 0.7% between quarter 3 and quarter 4 of 2013². GDP for three of the four main industrial groupings (agriculture, production, and services) increased in quarter 4 of 2013, whereas, output in construction decreased by 0.3%.

The largest contribution to GDP growth is from the service sector, with output from services contributing 0.6% to the increase in GDP. Output in the service sector is now 1.3% higher than in quarter 1 of 2008 prior to the economic downturn. Production has also shown strong growth, constituting 0.1% of the GDP increase, with manufacturing and energy supply contributing most to this rise.

The volume of trade for exports decreased by -3.0% in quarter 3 of 2013 whilst there was an increase of 0.7% in imports³. The net trade deficit has increased from £4.2billion in quarter 2 to £8.7billion in quarter 3. Over the last year exports have been held back by continued weakness in European economies, while imports have

risen in response to strengthening domestic demand.

The annual CPI inflation rate currently stands at 1.9% for the 12 months to January 2014, down from 2.0% in December 2013⁴. The largest contributions to the fall in the rate came from the prices for recreational goods and services, furniture and household goods, and alcoholic beverages and tobacco. These were partially offset by an upward contribution from miscellaneous goods and services. This is the first time in over four years that inflation has fallen below the Bank of England's target rate of 2%. The Bank of England predicts that inflation is likely to remain close to the target for the foreseeable future and that this is one of the factors that mean that interest rates may need to remain at low levels for 'some time to come'.

The Bank of England interest rate remains at 0.5%⁵. Additionally the Bank of England highlighted the following national trends as at January 2014⁶:

- Annual growth in the value of retail sales has eased, but consumer services turnover growth has edged higher.
- Housing market activity has continued to strengthen.
- Investment intentions in both manufacturing and services have continued to point to modest growth in capital spending over the next twelve months.
- Annual growth in business services turnover has edged higher.
- Manufacturing output growth for the domestic market has risen further. Moderate growth in the value of manufactured exports has continued.
- Annual growth in construction output has increased further, with signs that growth is spreading beyond house building.
- Corporate credit availability has continued to improve gradually, including with evidence of increasing competition to lend.
- There are widespread reports of growth in employment, albeit often incremental. Recruitment difficulties have edged higher and are now close to normal levels.

More information can be found at: <http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx>

Heanor, Holmewood, Ilkeston, Killamarsh, Langley Mill, Littlemoor, Long Eaton, Matlock, New Mills, Ripley, South Normanton and Swadlincote. The number of charitable food banks is growing across the county, nearly tripling since the end of 2012. There is also evidence locally that there has been higher demand in working families needing the assistance of food banks, with many family incomes falling behind due to inflation and stagnating wages.

In order to cope with the increasing demand, Derbyshire County Council is providing £113k to help the county's network of food banks provide three-day emergency food parcels for 3,000 people, and support food banks locally to become more sustainable. Not having enough to eat can impact on people's physical and mental health as well as their long-term life opportunities, which can lead to increased pressure on many local authority and health support services. The aim is to make sure that help gets through to the most vulnerable residents.

Increasing numbers of people are using the services provided by 'payday lenders' to obtain loans, many of which are short-term covering a period of days or weeks. These are usually up to £1,000 and can often be arranged immediately. Interest rates on such loans are high and borrowing can quickly spiral as loans are extended and charges mount up. Although the exact number of Derbyshire people taking out payday loans is unknown it is thought it could amount to many thousands of people. According to the Office of Fair Trading the pay day loan industry nationally has increased from £900m in 2008/09 to £2.2bn in 2011/12.

There are currently six credit unions in Derbyshire (including Derby City) providing a range of financial help, from competitive loans through to support for people to develop a regular savings habit. All are reporting an increase in the number of people approaching them for assistance. To support the work that credit unions are doing, Derbyshire County Council is increasing the provision of safe and affordable loans to people on low incomes through the provision of £300k additional funding to credit unions locally.

Poverty and Financial Exclusion

The rising cost of fuel and food, the difficult economic climate over recent years and the reforms to welfare benefits, are leading to increasing financial difficulties for many, and a rise in demand for debt advice services. The proliferation of high cost lending through 'pay day loans' is also creating problems. This 'spotlight' aims to highlight some of the issues related to poverty and financial exclusion in the county.

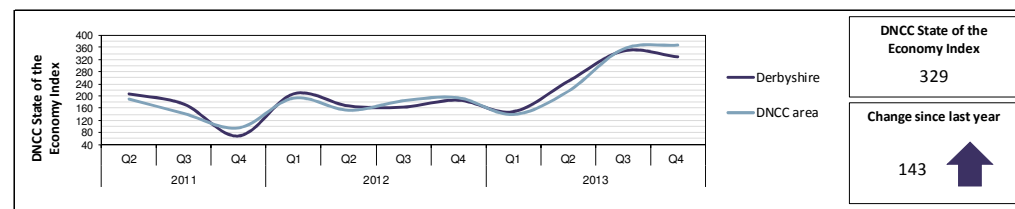
In Derbyshire the amount of money individuals have available for spending or saving is lower than in other areas of the UK. Gross Disposable Household Income (GDHI) in Derbyshire in 2011 was £14,625 per person¹⁷, lower than the national figure of £16,034. GDHI per head in Derbyshire has also been falling steadily over recent years relative to the UK.

Additionally, a recent national report by the Money Advice Service¹⁸ highlighted that 8.8 million people in the UK in 2013 live with serious debt problems, representing 18.0% of the UK adult population. The report shows that within Derbyshire there is significant variation. In Bolsover (ranked 26th out of 406 authorities) 32.6% of the population are struggling with debt and in Chesterfield (ranked 51) 29.0% of people are affected. However, in South Derbyshire (ranked 211) and Derbyshire Dales (ranked 329) 14.1% and 6.6% respectively of the population have serious debt problems.

The rising cost of living, static incomes, changes to benefits, underemployment and unemployment have meant increasing numbers of people in the UK are seeking help from food banks. Food banks help vulnerable individuals and families in crisis, distributing emergency food supplies and advising and signposting people to other agencies who may be able to offer assistance. Data from The Trussell Trust, the largest food bank organisation in the country, identified that the number of people relying on food banks tripled nationally over the last year.

There are currently around 20 food banks in Derbyshire run by charities and non-profit organisations that distribute food parcels to those who are most in need, located in Ashbourne, Belper, Bolsover, Buxton, Chesterfield, Clay Cross, Glossop,

Business Conditions



The performance of the Derbyshire economy has improved significantly over the last year, according to the Derbyshire and Nottinghamshire Chamber of Commerce's (DNCC) most recent Quarterly Economic Survey⁷. Quarter 4 2013 saw a consolidation of the recovery shown in the two previous quarters although there was a slight dip compared with quarter 3 2013. The continued strengthening of the UK economy appears to be filtering through to local businesses, with export sales and orders leading the way. However, UK sales and orders have fallen slightly compared with quarter 3 and this appears to have impacted on business confidence about future profitability. Although business confidence over the next 12 months remains at high levels, there has been a slight dip in business confidence about future profitability compared with quarter 3 2013.

Investment

The Derbyshire Economic Partnership received a total of 14 enquiries from firms seriously looking to invest in the county⁸ between November 2013 and January 2014, the same as the number of enquiries received in the previous quarter. Investment and job creation in the county is important to Derbyshire's future economic growth. Businesses looking to locate in the county can access a range of support through the [Invest in Derbyshire](http://investinderbyshire.co.uk) website, supported by D2N2 and UK Trade & Investment (UKTI).

Job Losses and Gains

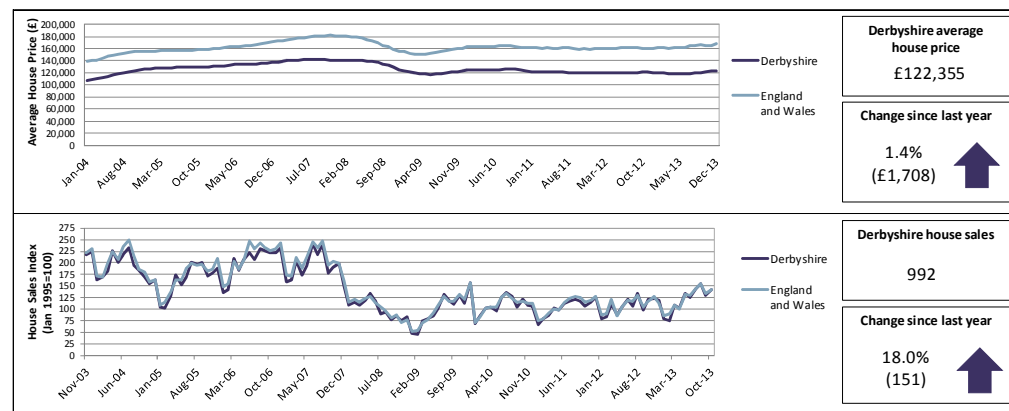
The following job losses and gains information relates to organisations in Derbyshire (including Derby City), and is drawn from articles in the local press between November 2013 and January 2014.

Job Losses

- In November 2013, airline Flybe announced that it plans to lose 500 jobs in 2014/15, some of which will be at East Midlands Airport.
- Derby City Council has announced that it might have to cut up to 350 full-time equivalent posts by September 2014.

Job Gains

- Heanor pudding manufacturer Matthew Walker started a recruitment drive in November 2013 to find 50 skilled full-time staff.
- Industrial vehicle manufacturer JCB announced plans in December to create 2,500 jobs as part of its £150 million expansion of its business.
- Toy retailer Smyths has announced the opening of a new store in Derby in April 2014, with the creation of around 30 jobs.
- Servisair, based at East Midlands Airport, began a recruitment drive in January to take on 99 people as check-in staff and baggage handlers.
- The opening of a new Aldi store in Chesterfield at the end of January has created 30 new jobs.
- Wildgoose construction is to take on ten more staff as part of their move to larger premises in Alfreton by the end of April 2014.
- Derbyshire County Council has been awarded £14.2 million to develop the northern part of the Markham Vale business park, leading to the creation of 2,000 jobs.
- A three-and-a-half year agreement between car insurers Admiral Group and Auto Windscreens will lead to the creation over 60 new jobs in Chesterfield from January 2014.



Source: House Price Index, Land Registry, December 2013, © Crown Copyright.

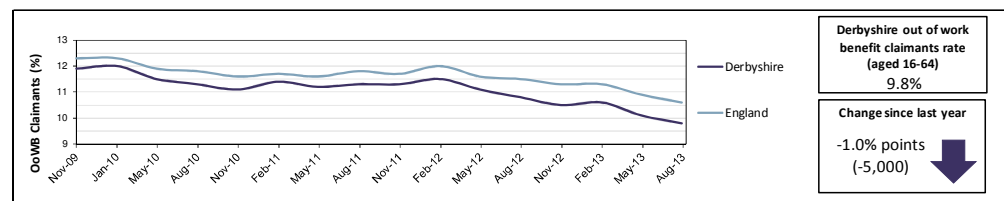
Following a period of relatively stable house prices since the economic downturn, it appears that house prices are on the rise again with confidence beginning to return to the housing market. Average house prices in the county are consistently lower than the national average with the average price of a house in Derbyshire currently £122,355 compared with £167,353 for England and Wales¹⁶. The gap between Derbyshire and England and Wales is continuing to widen as Greater London is seeing a faster rate of recovery, with house prices rising by 11.2% on average since last year, inflating the national average to 4.4% compared to an increase of 1.4% for Derbyshire.

According to the latest figures, there were a total of 992 property transactions in the county in October 2013. Although this is an increase of 18.0% on the previous year indicating that the housing market is beginning to move, this is lower than the national figure of 21.5% and well below the figure of 1,334 transactions in October 2007 prior to the economic downturn.

Since the early part of 2012, youth unemployment levels both locally and nationally have generally declined, particularly for the county, so that Derbyshire's youth unemployment rate (4.1%) is now only marginally higher than the national average (3.9%)¹³.

Over the last year, all districts have shown a decline in youth unemployment levels, but the greatest annual percentage decline is within Amber Valley (-37.4%) and the lowest in Bolsover (-12.4%).

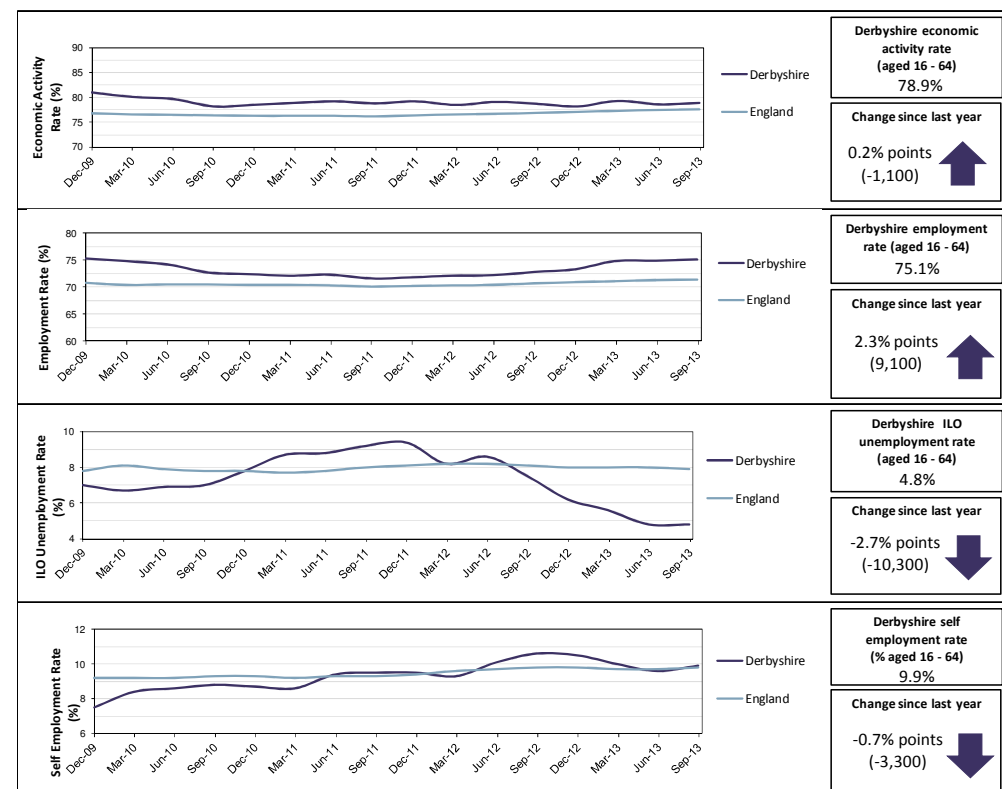
It would seem that the improving economic output nationally and locally is beginning to feed through to youth unemployment levels in the county. However, the rate of youth unemployment in the county still remains nearly double the total unemployment rate so it is important that the labour market position of young people continues to receive support as the economy begins to recover. The on-going investment in apprenticeships by Derbyshire County Council and partners can play an important role in this.



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

According to the latest data, 5,000 fewer Derbyshire residents (9.8%) are claiming an Out of Work Benefit (OoWB)¹⁴ than a year ago, a lower percentage than the England average of 10.6%¹⁵. Across Derbyshire the number of claimants varies considerably, in particular there are seven wards where more than 20% of the working-age population are claiming an OoWB. These are Gamesley in High Peak, Rother, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield, Ilkeston North in Erewash, and Shirebrook North West and Shirebrook East in Bolsover. It is too early to tell if there has been an impact from the recent changes to the benefits system.

Labour Market Participation



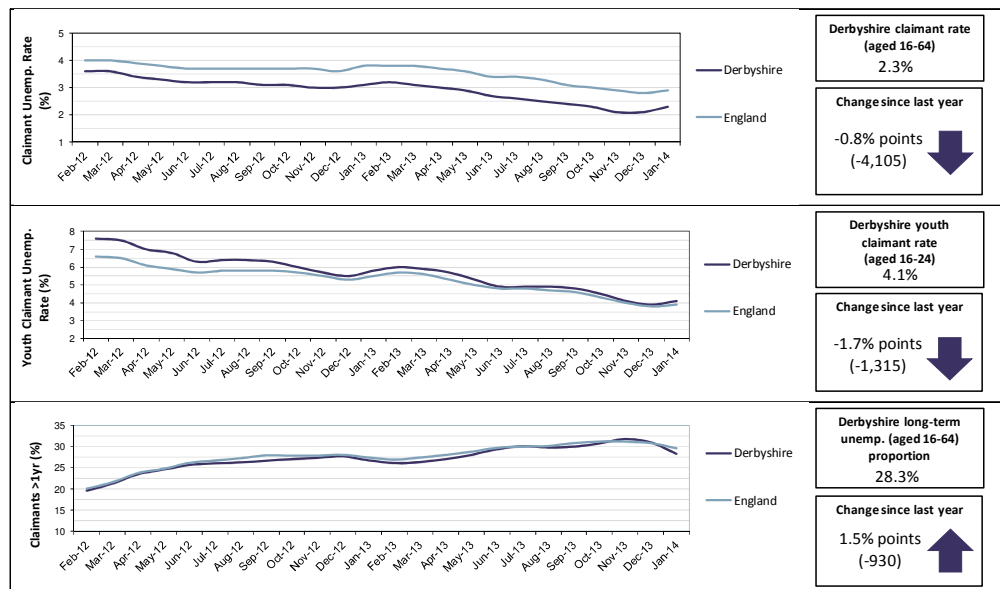
Source: Annual Population Survey, October 2012-September 2013, ONS (Nomis) © Crown Copyright.

The county has above average levels of labour market participation. The economic activity rate in Derbyshire is currently 78.9%⁹, higher than the national rate of 77.6%. Employment within the county has risen by 2.3% points since last year and at 75.1%¹⁰, remains higher than the national average.

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 Job Seekers Allowance (JSA) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. It can therefore produce different levels and patterns of unemployment to the claimant count.

In September 2013, the ILO unemployment rate in Derbyshire stood at 4.8%, 3.1 percentage points lower than the England rate. Locally there has been a sharp decline of -2.7 percentage points in the rate over the last year, compared to a slight decrease nationally of -0.2%.

Over the last 12 months self employment levels have fallen, with the number of working-age self employed people in Derbyshire decreasing by 3,300 (-0.7 percentage points) to stand at 9.9%, slightly higher than the level of 9.8% for England.

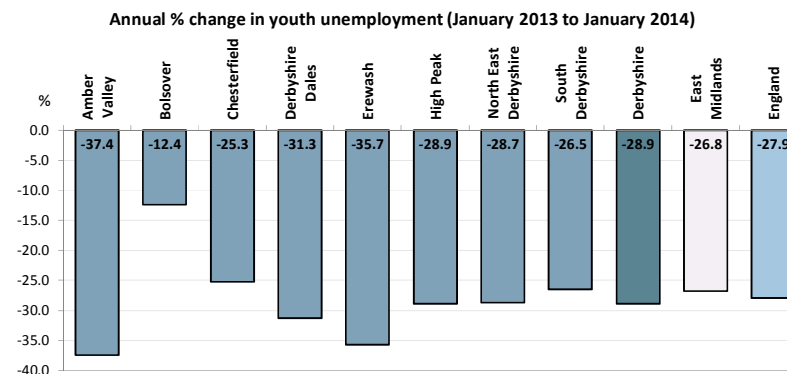
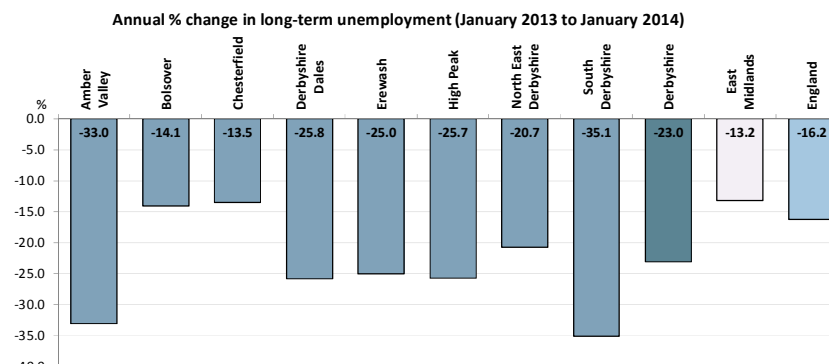


Source: Claimant Count, January 2014, ONS (Nomis) © Crown Copyright.

The overall claimant count unemployment rate is based on a count of all people claiming Job Seekers Allowance. In Derbyshire the rate is currently 2.3%, lower than the England rate of 2.9%¹². Since the early part of 2012, claimant count unemployment has been generally decreasing, with the level of decline greater in Derbyshire than nationally. However, hotspots exist across the county where unemployment levels are particularly high, including the wards of Gamesley and Barms in High Peak, Rother in Chesterfield, Ilkeston North, Ilkeston Central and Cotmanhay in Erewash, and Bolsover North West in Bolsover.

Almost a third of the county's unemployment claimants have been out of work for more than a year (28.3%), a higher proportion than this time last year (26.8%). Following a slight dip in early 2013, the proportion 16-64 year olds who have been unemployed for more than a year has risen, although the last two months have again seen a slight dip. The number affected has fallen by 930 since January 2013.

Analysis of long-term unemployment by district can highlight which areas are contributing to the changes at the county level. All districts have shown a decrease in the number of people long-term unemployed over the last year. The greatest annual percentage decline is shown by South Derbyshire (-35.1%) and the lowest by Chesterfield (-13.5%). All districts have rates of decrease larger than the East Midlands and all but Chesterfield and Bolsover larger than England.



Source: Claimant Count, January 2014, ONS (Nomis) © Crown Copyright.

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