

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**20 July 2017**

**REPORT OF THE CHIEF EXECUTIVE**

**DERBYSHIRE ECONOMIC REVIEW – JUNE 2017  
(Strategic Leadership, Culture and Tourism)**

**1. Purpose of the Report**

To present the latest Quarterly Economic Review – June 2017 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:

- The first quarter of 2017 has seen a rise in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey. This is the third consecutive quarter of growth, with the county's performance being the best it has been for nearly two years. Despite uncertainty linked to the Brexit negotiations, the county's businesses appear to be competing well.
- Improvement has been led by employment growth, with firms continuing to recruit, as well as a rise in confidence about turnover. Domestic sales have also performed well although there has been a fall in firms reporting that future order books have improved. There has been only marginal improvement in exports following two quarters of significant growth and concern about future prices and

cash flow, with the rising levels of inflation potentially squeezing margins. Encouragingly, the county's businesses are continuing to invest, particularly in training, which is important in terms of productivity growth, an area in which Derbyshire has struggled in recent years.

- The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance and out of work Universal Credit (UC), is currently 1.3%, some 0.6% points lower than the England rate. Following a prolonged period of decline, the rate in the county has been relatively stable for over two years. However, there are six wards where the rate remains at or above 3.0%. These are Rother, Loundsley Green and St Helens in Chesterfield, Cotmanhay and Awsworth Road in Erewash and Gamesley in High Peak.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 29.3% (1,210 residents). Encouragingly the scale of long-term unemployment has fallen for the fourth month in a row and the figure has dipped below the England level.
- The youth unemployment rate in Derbyshire stands at 2.1%, just below the figure for England. The rate in the county has been approximately 2% for more than a year following the post-recession fall. However, there are 120 young people who have been out of work for more than a year. Although this is lower than the figure for last year, the proportion of unemployed young people who are long-term unemployed is now approximately one in four.
- The proportion of working age residents claiming an Out-of-Work Benefit (OoWB) has been falling since Spring 2010. In November 2016, the proportion of the county's residents claiming an OoWB was 8.1%, the lowest it has been since this indicator was first published in 1999. There are just two wards where more than 20.0% of 16-64 year olds are claiming an OoWB. These are Shirebrook North West in Bolsover and Loundsley Green in Chesterfield.
- There has been positive news on job creation this quarter. Work officially started in March on the first phase of the Peak Resort development that hopes to realise 1,300 jobs by 2019. Development is also due to start on the Northern Gateway improvements in Chesterfield which will create around 500 jobs by Summer 2019 across a number of developments including the conversion of the former Co-op site into a hotel and leisure complex and the building of a business enterprise centre. The arrival of healthcare firm Bionical at Mercia Marina, Willington, will result in a further 100 jobs and, in April, South Derbyshire manufacturer IG Elements revealed that 70 new jobs would be created as part of its five year growth plan. Conversely, in March 2017 there was an announcement of 40 job losses across Derbyshire as a result of shoe firm Brantano going into administration.
- The economic activity rate in Derbyshire has remained at more than 80% for the fourth quarter in a row, and now stands at 81.0%, around 3% higher than the England average. The employment rate locally has risen marginally from 78.5% to 78.7% and is over 4% higher than that for England. Amber Valley and South Derbyshire have seen the greatest growth in employment over the last year. Additionally, Derbyshire's levels of self-employment have increased for the fifth quarter in succession, now standing at 9.2%, closing the gap with England.

- In February 2017, the average price of a house was £162,035 in Derbyshire. Houses prices have grown locally by 3.9% over the last year and prices are around 10% higher than the peak before the housing crash in 2008. The latest figures show that the average price locally remains more than 30% lower than the figure for England.

### **‘In focus’ topic – ‘Small and Medium Sized Enterprises in Derbyshire and the Business Support Currently Available’**

Small and medium sized enterprises (SMEs) may employ fewer than 250 employees but are a crucial part of the UK economy. There are 5.5 million SMEs nationally, accounting for 60% of all private sector employment and approximately 50% of all turnover. Supporting small businesses to grow and flourish is one of the ten pillars of the Government’s recently published Industrial Strategy Green Paper.

Levels of entrepreneurship in the UK are behind those in the US but above those in Germany, with around one in five individuals of working age in the UK engaged in some type of entrepreneurial activity or intending to start a business. In Derbyshire, there are around 30,000 enterprises, with over 99% being SME’s and 88.3% being micro-firms employing less than 10 employees. Around 10% of local firms employing fewer than five people went out of business following the recession, however, since 2011 there has been strong SME growth locally with the business base increasing by around 5,700 firms. Over the last five years business formation has increased and business closures have fallen and 2016 has seen business formation exceed business closure in Derbyshire for the third year in a row. Business survival rates have also increased as the economic climate has improved and are ahead of those across England. It is positive that local businesses seem relatively robust and survive longer. High growth firms are an asset to local economies, however, this is an area where there is scope for improvement in the D2N2 Local Enterprise Partnership and Derbyshire economies.

Business support can be an important factor in facilitating firms to start and grow. The County Council and the Derbyshire Economic Partnership (DEP) are working alongside several other organisations, including D2N2, to provide help ranging from start-up grants to the provision of funding for established firms to buy new equipment. The County Council is also involved in a number of other programmes which include: the D2N2 Growth Hub, which links businesses with an ambition to grow in the D2N2 area with support and information from business service providers; the D2 Enterprise Growth Fund which will provide grants of more than £50k to help businesses expand and create high quality, long-term jobs; and support for SMEs in the visitor economy and its supply chains to grow.

Much existing SME support locally is focused around the projects that are European Regional Development Fund (ERDF) and Derbyshire County Council (DCC) funded through the European Structural and Investment Funds (ESIF) Programme, so it will be important to monitor how regional funding inequalities will be addressed as Brexit negotiations proceed. Derbyshire’s SMEs make a vital

contribution to the success of the county's economy, and with national policy continuing to state the importance of private sector SME growth, it is essential that support programmes equip prospective and current entrepreneurs with the funding support and technical know-up to be able to succeed

### **3. Equality and Diversity Considerations**

Economic growth has improved in Derbyshire in each of the last three quarters, however there are some residents who are not benefiting from the pick-up, including 1,210 people in the county who have been out of work more than a year. It remains vital that people have opportunity to gain the skills needed to secure sustainable employment. Improving the take-up, and relevance, of apprenticeships is an important element of this and a feature of the Government's Industrial Strategy Green Paper. In Derbyshire, there were nearly 5,300 people gaining an apprenticeship in 2015/16, an increase of 8.5% on the year before. Building on this success will be an important priority for Derbyshire in the coming years given the aim to create 1,000 new apprenticeships.

### **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 notes the information presented within the Derbyshire Economic Review – June 2017 and that the findings will be used to support future service planning and policy development.

**Ian Stephenson**  
**Chief Executive**

# Policy and Research, Chief Executive's

## Derbyshire Economic Review - June 2017

### Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire<sup>1</sup> 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 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: ‘Small and Medium Sized Enterprises in Derbyshire and the business support currently available’.

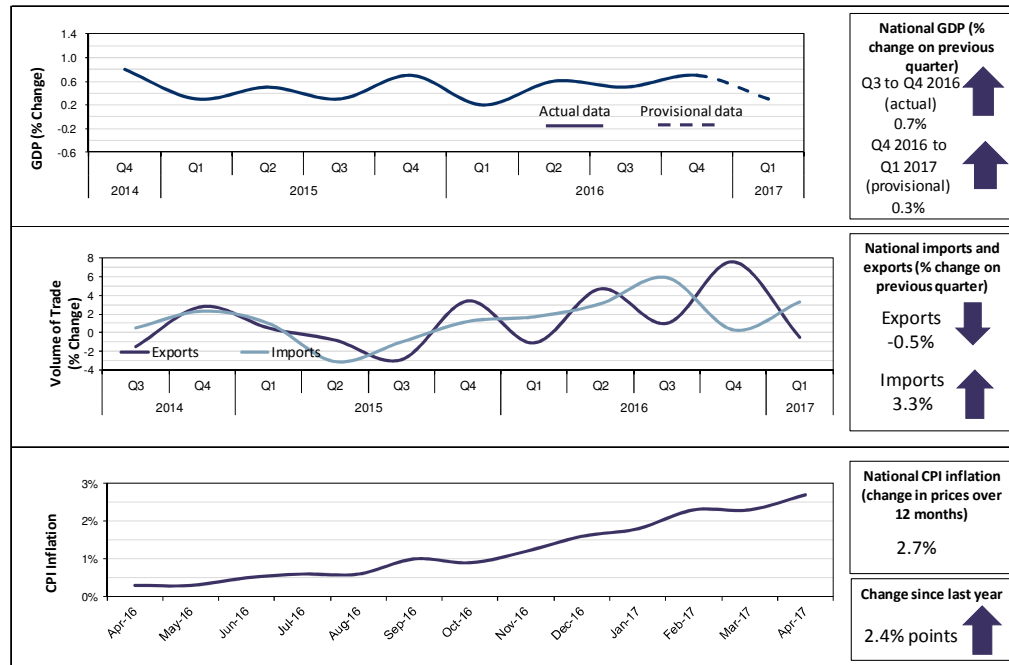
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### Overview

- The UK economy expanded by 0.3% in the first quarter of 2017, a fall on the 0.7% in quarter four of 2016. The main reason for this has been a decline in services, the UK's biggest sector. Rising inflation is dampening consumer spending with retail sales falling this quarter. Manufacturing output, however, has again showed solid growth, with the motor vehicle sector leading the way.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 2.7% for the 12 months to April 2017, the highest it has been since September 2013. Inflation is expected to peak at just under 3.0% in 2017 with the continued weakening of the pound putting upward pressure on import prices.
- The first quarter of 2017 has seen a rise in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey<sup>7</sup>. This is the third consecutive quarter of growth, and although the increase is below that across the region, the county's performance is the best it has been for nearly two years. Despite uncertainty linked to the Brexit negotiations, the county's businesses appear to be competing well.
- The employment rate locally has risen marginally from 78.5% to 78.7% and is over 4% higher than that for England.
- The overall claimant unemployment rate in Derbyshire stands at 1.3%, below the 1.9% for England. However, hotspots remain in Derbyshire where the rate is at or above 3%. There are six wards where this is the case. These are Rother, Loundsley Green and St Helens in Chesterfield, Cotmanhay and Aysworth Road in Erewash and Gamesley in High Peak.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 29.3%. Encouragingly the scale of long-term unemployment has fallen for the fourth month in a row.
- The youth unemployment rate is 2.1% and has been approximately 2% for more than a year following the post-recession fall. The number of wards where the youth rate is more than double the national rate has dipped slightly to six this quarter with the highest rates being in Rother (6.7%), Cotmanhay (5.8%) and Kirk Hallam and Stanton-by-Dale (5.6%).
- The average house price in the county is £162,035, an annual increase of 3.9%. House prices are still rising, although the rate of growth has continued to slow across the country. Prices in Derbyshire remain more than 30% lower than those across England.

## National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP) is estimated to have increased by 0.3%<sup>2</sup> in the first quarter of 2017, a marginally slower rate of growth than the 0.4% that had been expected and a fall on the 0.7% in the final quarter of 2016. All four of the major sectors grew, however the slowing in service sector growth from 0.8% to 0.3% was the main reason for the overall dip. Services make up 78% of the UK economy, and falls in several consumer-led sectors have contributed to the decline. The greatest decline was in distribution, hotels and restaurants, which fell by 0.5%, with increasing prices having affected retail and accommodation in the sector. In the three months to March 2017, retail sales have shown their biggest quarterly fall for seven years.

Construction and agriculture also eased to 0.2% and 0.3% respectively, and industrial production dipped to 0.3%. However within this, and significantly for Derbyshire, manufacturing again showed solid growth, due to the improving global picture and the more competitive pound, with the motor vehicle sector leading the way.

There is much focus on the UK's trade position in the context of Brexit. In quarter one of 2017, the total trade deficit of goods and services widened by £5.7 billion to £10.5 billion, following a sharp narrowing in Quarter 4 of 2016<sup>3</sup>. Exports overall fell by -0.5%, whilst imports increased by 3.3%. The pound remains at a relatively low level compared to the dollar and euro and although making the value of British goods abroad cheaper, it only appears to have given a modest boost to manufacturers this quarter, with goods exports rising by 0.6%. The import of goods has however increased by 5.0% with the rising costs of raw materials a factor.

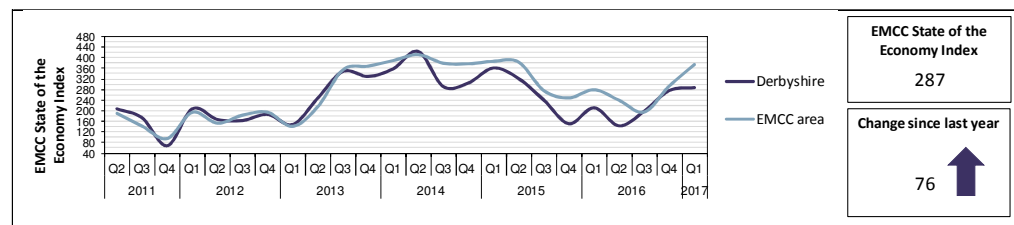
The annual CPI inflation rate currently stands at 2.7% for the 12 months to April 2017<sup>4</sup>, its highest level since September 2013. The rate of inflation has been rising steadily since the summer of 2016 and the current rate is the highest since September 2013. The main contributor was the cost of air travel which went up by 18.6% with the later date of Easter this year compared with 2016 a factor. The price of clothes jumped to the highest level for six years, and electricity and food prices also went up, but there were falls in the cost of gas, petrol and diesel. The depreciation of sterling since the referendum is a significant factor, lifting prices for imports, and the Bank of England (BoE) feels that prices will continue to put pressure on consumer spending, expecting the rate to peak at just under 3% this year.

The BoE's Monetary Policy Committee voted to leave the interest rate at 0.25% in May 2017<sup>5</sup>. Inflation has been rising for the last year and is now above its 2% target. A policy response to rising inflation can be to raise interest rates. However, the BoE has to balance the impact of any rate rise on employment growth. In May, the Committee has decided that although the medium term outlook for global economic growth is positive, an interest rate rise could have an adverse effect and lead to increasing UK unemployment. In its latest report, the Bank has downgraded slightly its growth forecast for the UK down from 2% to 1.9% in 2017 and outlined that it expects inflation to peak at 2.7% over the Summer. The BoE also highlighted the following national trends as at May 2017<sup>6</sup>:

- Consumer spending growth has moderated following the fall in sterling.
- Business services growth has risen moderately.
- Manufacturing output growth has strengthened.
- Construction output growth has edged up.
- Business investment is expected to grow modestly over the next year.
- Credit availability has tightened slightly for small and medium sized companies.
- Modest jobs growth is predicted over the coming six months.
- Recruitment difficulties have tightened since the start of the year.

## Local Economic Context

### Business Conditions



The first quarter of 2017 has seen a rise in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey<sup>7</sup>. Although the rate of increase is below that across the region, this is the third consecutive quarter of growth and the county's performance is the best it has been for nearly two years. Despite uncertainty following the Brexit vote about how firms would fare, the county's businesses appear to be competing well.

The improvement has been led by employment growth, with firms continuing to recruit, as well as a rise in confidence about turnover. Domestic sales have also performed well, although there has been a drop in firms reporting that future order books have improved. There has also been only marginal improvement in exports following two quarters of significant growth and there is concern about future prices and cashflow, with the rising levels of inflation potentially squeezing margins. Encouragingly though the county's businesses are continuing to invest, particularly in training which is important in terms of productivity growth, an area in which Derbyshire has struggled in recent years.

### Investment

Nine enquiries were received between February and April by the Derbyshire Economic Partnership from firms seriously looking to invest in the county<sup>8</sup>. This brings the total for the whole of 2016/17 to 27, lower than the 42 in 2015/16. This reflects the caution there is linked to Brexit and also the General Election. Firms are investing in plant and machinery, but there is some reticence when it comes to big ticket items, for example at a recent business event it was noted that a local engineering firm has delayed purchasing a metal cutting machine because of the uncertainty. There is also an issue with the lack of available properties at key sites and in the main town centres, particularly on the industrial side. However, European

## Local Economic Context

funding programmes are now in place and there is a lot of support available to businesses to help them with new investments. The activity to promote the Midlands to investors under the Midlands Engine banner should also help.

Over the past quarter at Markham Vale, Great Bear Ltd have recruited the first 120 of a planned 400 strong workforce at their recently built distribution centre on Markham Vale East. Nearby, Priority Space have commenced construction of a speculative development of 13 workshop spaces ranging in size from 1,244 sq. ft. to 3,050 sq. ft.

Following the opening of the Seymour Link Road on Markham Vale North, the German car parts company, Ferdinand Bilstein, is at the early stages of recruiting for their initial phase of 150 employees with long term plans to create a further 250 jobs over the coming years. On the adjoining plot, construction has started on a 480,000 sq.ft logistics centre for Great Bear. This is the second development for the firm at Markham Vale bringing their buildings at the site to almost a million sq.ft. Construction of a chilled food distribution facility has also started on Markham Vale North, with this 90,600 sq.ft. unit when completed to create 200 new jobs. Both of these under construction buildings are being built by Derbyshire based companies and are programmed to be completed towards the end of 2017. Terms have also been agreed with a medical equipment supplier for a 69,125 sq. ft. manufacturing facility with the option of a 51,000 sq. ft. extension, subject to securing all approvals and legal formalities. This development, scheduled to start at the end of June, will create up to 35 jobs initially, doubling when the extension option is completed.

Discussions are also progressing with a number of businesses over a wide range of sized buildings across Markham Vale, including a 40,000 sq. ft. manufacturing unit which is at a preliminary stage of design. The annual Markham Vale Jobs survey has recently been completed confirming a total of 1,076 full time equivalent employees currently work at firms located on the site.

### 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 February and April 2017.

### Job Losses

- It was announced in March that 40 staff across Derbyshire will face redundancy as shoe firm Brantano goes into administration.



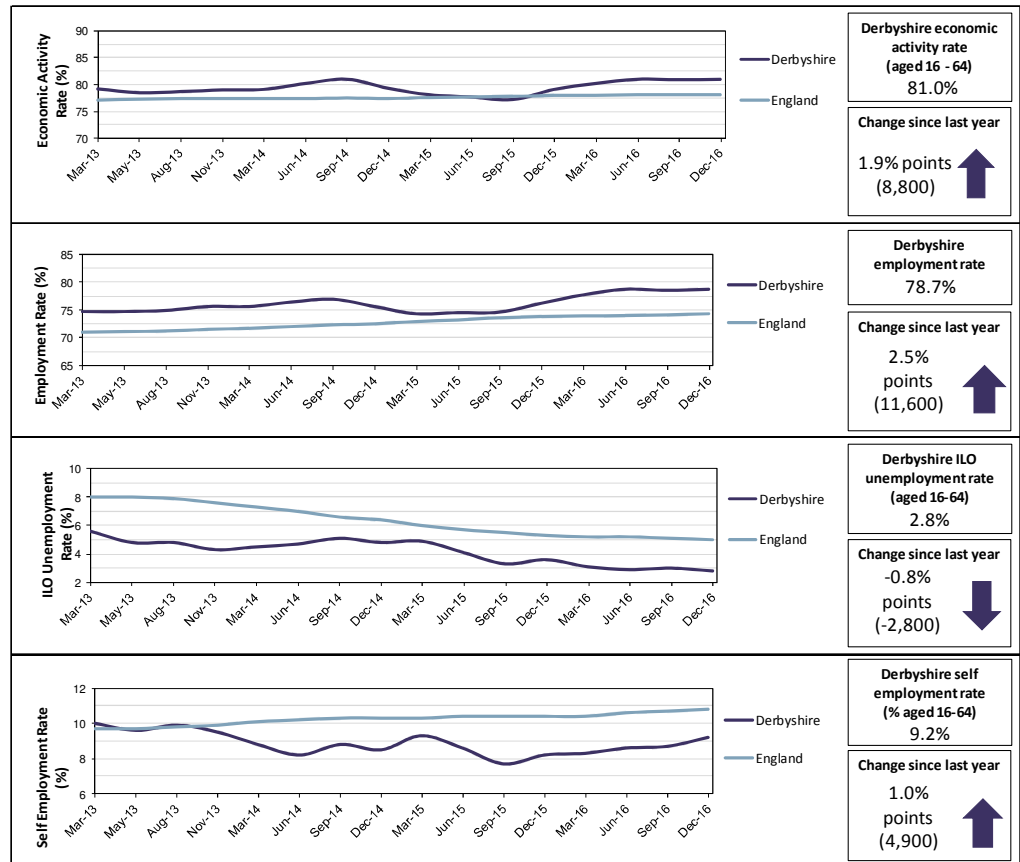
## Local Economic Context

### Job Gains

- Work officially started in March on the first phase of the Peak Resort development that hopes to realise 1,300 jobs by 2019.
- At the end of February it was disclosed that plans as part of the Northern Gateway improvements in Chesterfield will result in the creation of nearly 500 jobs by Summer 2019. The plans include the conversion of the former Co-op site into a hotel and leisure complex and the building of a business enterprise centre.
- In March it was announced that the arrival of healthcare firm Bionical at Mercia Marina, Willington, will bring 100 jobs to the area.
- In April South Derbyshire manufacturer IG Elements revealed that 70 new jobs would be created as part of its five year growth plan.
- 65 new staff will be recruited with the opening of a Macdonald's branch in Matlock in June.
- Discount department store TJ Hughes confirmed in March that the opening of a new store in Chesterfield would result in 50 new jobs.
- It was announced at the end of April that turning the former Peacock Hotel, Oakerthorpe, into an Italian restaurant, Pesto, will create 60 jobs.
- Alfreton based clothing manufacturer David Nieper announced in February that expansion plans will create 35 new jobs over the next two years.

## Labour Market

### Labour Market Participation



Source: Annual Population Survey, Mar 2016-Dec 2016, ONS (Nomis) © Crown Copyright.

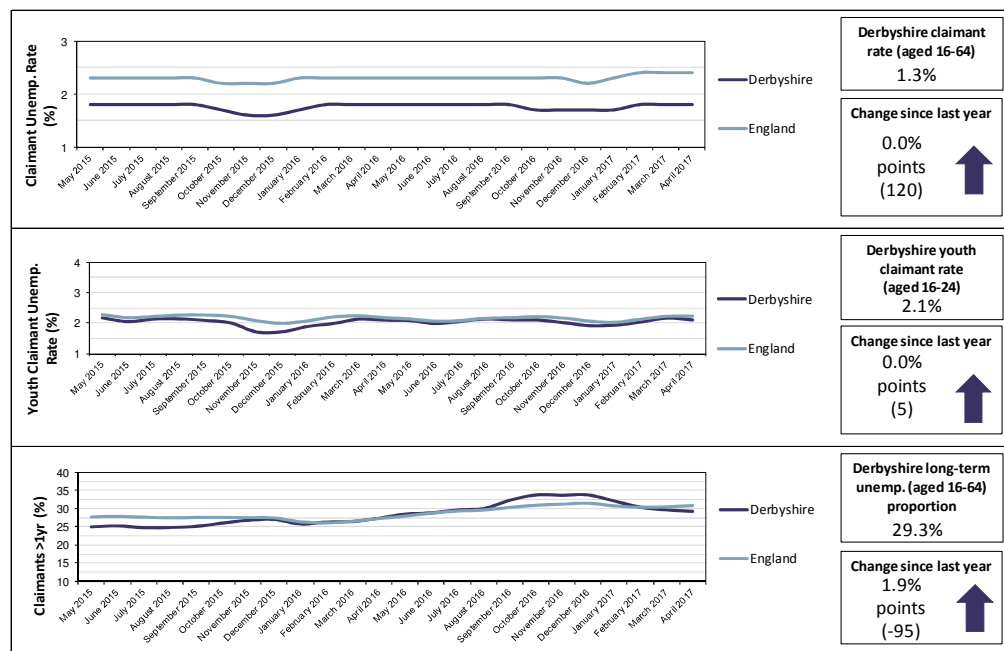
The economic activity rate<sup>9</sup> in Derbyshire has remained at more than 80% for the fourth quarter in a row, and now stands at 81.0%, around 3% higher than the England average. The employment rate<sup>10</sup> locally has risen marginally from 78.5% to 78.7% and is over 4% higher than that for England. Amber Valley and South Derbyshire have seen the greatest growth in employment rates over the last year, whilst High Peak and Derbyshire Dales have seen a fall.

International Labour Organisation (ILO)<sup>11</sup> unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers



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Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. ILO unemployment in the county has been falling steadily for the last five years and, at 2.8%, is the lowest it has been since this data source started in 2004. It is also over 2% lower than the England rate of 5.0%. Additionally, Derbyshire's levels of self-employment have increased for the fifth quarter in succession to stand at 9.2%, closing the gap with England. Chesterfield and Bolsover have seen the greatest increase in self-employment levels over the last year.

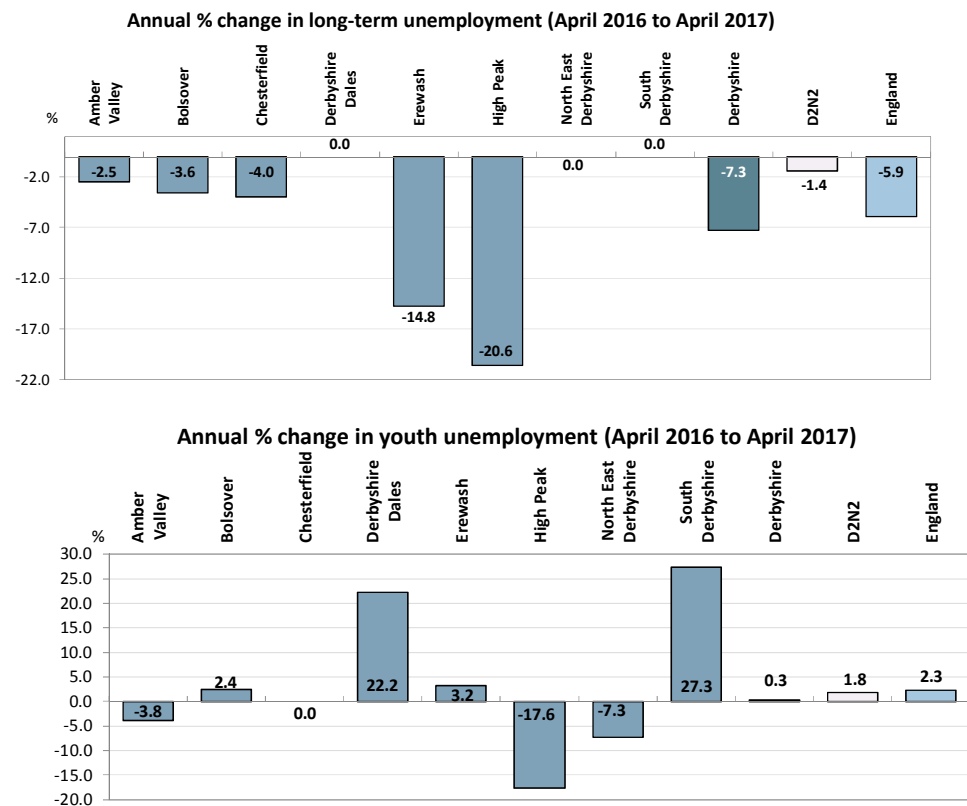


The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance and out of work Universal Credit (UC), is currently 1.3%, some 0.6% points lower than the England rate<sup>12</sup>. Following a prolonged period of decline, the rate in the county has been relatively stable for over two years. As in the March Derbyshire Economic Review, there are five wards where the rate remains at or above 3.0%. These are Rother, Loundsley Green and St Helens in Chesterfield, Awsworth in Erewash and Gamesley in High Peak.

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 29.3%. Encouragingly the scale of long-term

## Labour Market

unemployment has fallen for the fourth month in a row and the local proportion has dipped below the England level. Unemployment rates are currently very low, so whilst it is good that the long-term proportion is dropping, there are still 1,210 people in the county who have been out of work more than a year. Five districts have shown a fall in the level of long-term unemployment this quarter, the greatest shown by High Peak and Erewash. Three districts showed no change.



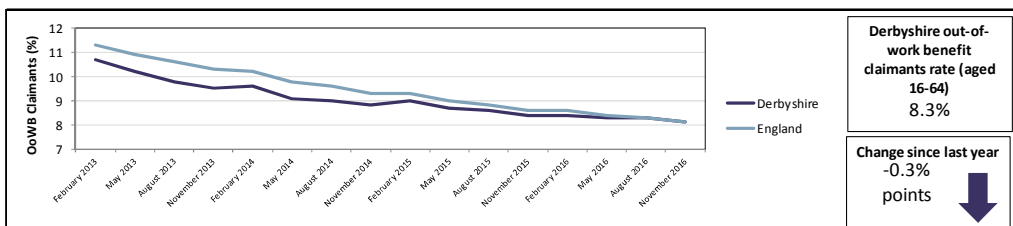
Source: JSA (long-term) and claimant unemployment (youth), April 2017, ONS (Nomis) © Crown Copyright

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

The youth unemployment rate<sup>13</sup> in Derbyshire stood at 2.1% in April 2017, just below the figure for England. The rate in the county has been approximately 2% for more than a year following the post-recession fall. However, four districts have shown an increase in the number of young people out of work over the last year, the most significant being South Derbyshire. Three have shown a fall, with High Peak showing the greatest decline, whilst Chesterfield showed no change.

In April 2017, there were 120 young people who have been out of work for more than a year. Whilst this is lower than a year ago, the proportion of unemployed young people who are long-term unemployed in Derbyshire is 23.5%, nearly 5% points higher than that for England.

It is vital that people have the opportunity to gain the skills needed to secure sustainable employment. Improving the take-up, and relevance, of apprenticeships is an important element of this and a feature of the Government's Industrial Strategy Green Paper. In Derbyshire, there were nearly 5,300 people gaining an apprenticeship in 2015/16, an increase of 8.5% on the year before. Building on this success will be an important priority for Derbyshire in the coming years given the aim of creating 1,000 new apprenticeships.



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

The proportion of working age residents claiming an Out-of-Work Benefit (OoWB)<sup>14</sup> has been falling since the Spring of 2010. In November 2016, the proportion of the county's residents claiming an OoWB was 8.1%<sup>15</sup>, the lowest it has been since this indicator was first published in 1999. Additionally, as with the previous Quarterly Economic Review, there are just two wards where more than 20.0% of 16-64 year olds are claiming an OoWB. These are Shirebrook North West in Bolsover and Loundsley Green in Chesterfield. All districts in the county have seen a fall in benefit claimants with a combination of the improving economic picture and ongoing changes to the benefits system both factors.

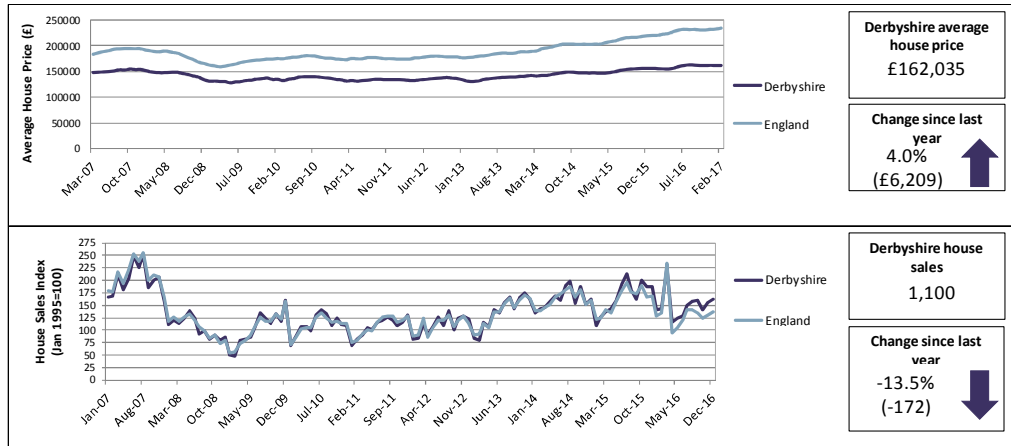
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (November 2016 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	53,790	11.1	10.7	-1,640	-3.0	↓
Out-of-Work Benefit Claimants	39,420	8.1	8.1	-1,210	-3.0	↓
Employment Support Allowance (ESA)	30,220	6.2	5.7	1,130	3.9	↑
- Long term claimants (1yr or more)	24,450	80.9	79.6	1,750	7.7	↑
- 18 to 24 year old claimants	2,530	8.4	7.6	-40	-1.6	↓
Lone Parent Income Support (LPIS)	4,160	0.9	1.0	-120	-2.8	↓
- 18 to 24 year old claimants	1,100	26.4	24.1	-150	-12.0	↓
Personal Independence Payments (PIP)	16,037	3.3	2.9	6,008	59.9	↑
Universal Credit (UC)	3,555	0.7	1.3	1,325	59.4	↑
JSA sanctions	66	Numbers too small		-96	-59.3	↓
Household benefits (February 2017)						
Housing Benefit claimants	47,073	13.9	16.9	-1,646	-3.4	↓
Households affected by removal of Spare Room Subsidy	4,953	10.5	8.2	-124	-2.4	↓
- 1 Bedroom	4,128	83.3	82.7	-104	-2.5	↓
- 2 or more bedrooms	825	16.7	17.3	-20	-2.4	↓
Benefit Cap	555	0.2	0.3	458	472.2	↑

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

Notes: \* PIP January 2017, UC April 2017 and JSA sanctions December 2016

11.1% of Derbyshire's residents are claiming benefits, including 6.2% ESA and 0.9% LPIS, similar to England's. Around four in five ESA claimants in the county have been claiming ESA long-term. There remain a lower proportion of households claiming housing benefit (13.9%) than England (16.9%) but a higher proportion of claimants have been affected by removal of the spare room subsidy<sup>16</sup>. 3.3% of residents are claiming a PIP, with this figure rising steadily as PIPs are in the process of replacing Disability Living Allowance. This is also the case for Universal Credit, with the number of UC claimants having increased by more than 1,300 over the last year as claimants are transferred across from other benefits. ESA has also seen an increase, in part reflecting its replacement of Incapacity Benefit, with a particular rise in the number of long-term ESA claimants. There has also been a significant increase in the number of households affected by the benefit cap, linked to the lowering of the threshold at the end of 2016. The number of people claiming JSA who have had their benefit stopped or reduced through sanctions has seen a significant fall, reflecting the phased transfer of JSA claimants onto UC.



Source: UK House Price Index, ONS and Land Registry, February 2017, © Crown Copyright

In February 2017, the average price of a house was £162,035 in Derbyshire. House prices have grown locally by 3.9% over the last year and prices are around 10% higher than the peak before the housing crash in 2008. However, the average price locally is still more than 30% lower than the figure for England. Across the districts there is a huge variation and in Derbyshire Dales the average price (£242,579) is more than double that in Bolsover (£113,625). Over the last year Amber Valley and South Derbyshire have seen the greatest increases (of more than 5%).

The UK housing market is currently relatively flat. The Royal Institute for Chartered Surveyors reported that buyer interest is stagnant and the stock of homes on the market is at a record low nationally. Weak wage growth and rising inflation is putting household finances under pressure resulting in people putting off big spending decisions. Over the last year, there has also been a reduction in mortgage lending with a shift towards first-time buyer and re-mortgage customers away from home movers and buy-to-let landlords. Across England, the volume of house sales is down 19.0% on a year ago, and although this is a greater fall than locally, the 1,100 houses sold in the county is still 13.5% lower than the year before. Commentators suggest that although the housing market is now relatively subdued, the shortage of homes across the UK means that house prices are expected to rise in the year ahead although the level of house price inflation is anticipated to be around 2.5%. Modest growth is, however, not necessarily a bad thing given economic and political factors.

## Small and Medium Sized Enterprises in Derbyshire and the Business Support Currently Available

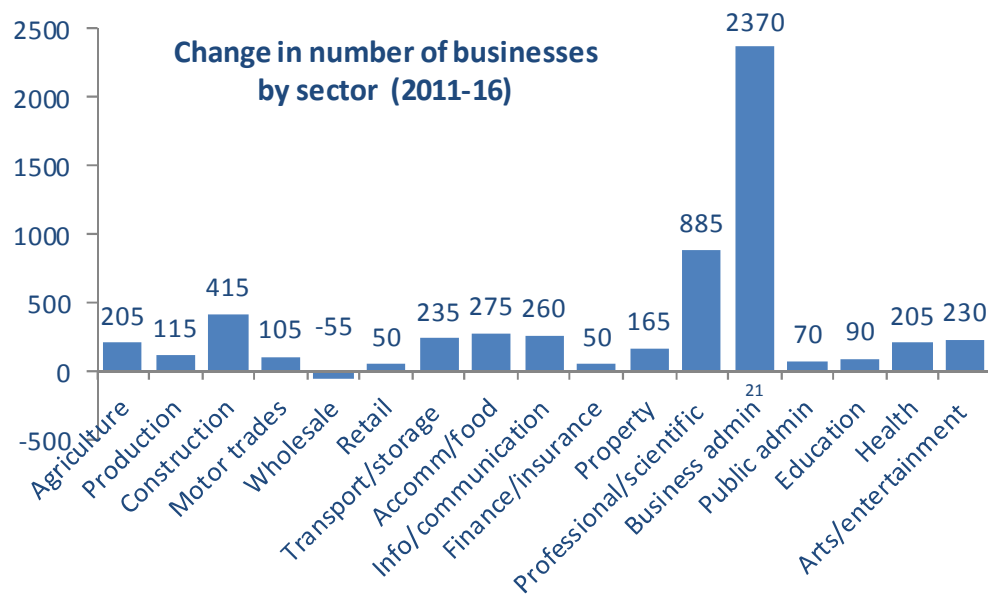
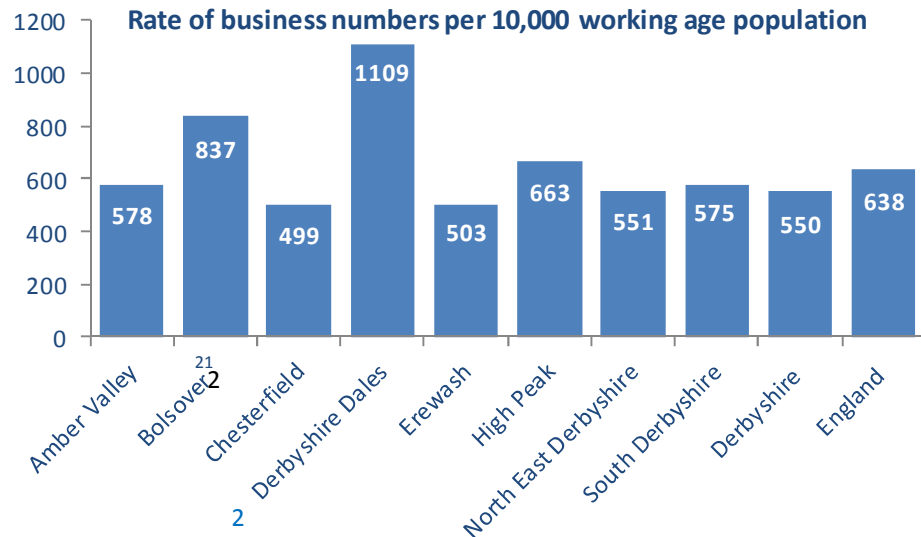
Small and medium sized enterprises (SMEs) may employ fewer than 250 employees but are a crucial part of the UK economy. There are 5.5 million SMEs nationally, accounting for 60% of all private sector employment and nearly 50% of all turnover<sup>17</sup>. Supporting small businesses to grow and flourish is one of the ten pillars of the Government's recently published Industrial Strategy Green Paper. This 'In focus' looks at the county's SMEs, discusses some of the barriers they face and identifies some of the support available to them.

Levels of entrepreneurship in the UK are behind those in the US but above those in Germany, with around one in five individuals of working age in the UK engaged in some type of entrepreneurial activity or intending to start a business within the next three years<sup>18</sup>. This is higher than historical UK entrepreneurship rates but lower than the peak of 24.3% in 2012, when many individuals were looking to create their own business opportunities out of necessity following the recession.

In Derbyshire there are around 30,000 enterprises and over 99% of them are SME's. 98.1% of firms employ less than 50 employees, and 88.3% of firms employ less than 10 employees and are regarded as micro-firms<sup>19</sup>. The chart on page 15 shows that the highest business densities are generally in the more rural parts of the county, with Derbyshire Dales and High Peak having densities of 1,109 and 663 respectively<sup>20</sup>. Bolsover also has a high figure at 837.

More rural areas are characterised by greater numbers of smaller firms, and Derbyshire Dales and High Peak, along with South Derbyshire, have the greatest proportions of micro-firms and sole traders in the county. Self-employment levels can be higher in rural areas, with greater levels of homeworking a feature. Derbyshire Dales consistently shows the greatest levels of self-employment in the county and in the last Census also had the greatest level of homeworking. Conversely, the lowest business densities are in Chesterfield and Erewash. Urban districts such as these tend to have larger firms and lower numbers of micro-firms.

Derbyshire's SMEs were affected more than those across the country following the 2008/09 recession, particularly the smallest employing fewer than five employees.



Between 2008 and 2011, the county lost around 10% of its business base for this category of business. The SME population of all of Derbyshire's districts fell following the recession, although the decline was least in Derbyshire Dales and South Derbyshire. Since 2011, there has been strong SME growth in Derbyshire, albeit lagging slightly behind that for England, with the business base increasing by around 5,700 firms between 2011 and 2016. The second chart on page 15 shows that over this period all sectors in Derbyshire's economy have seen growth, except the wholesale sector. Sectors showing the biggest change have been business administration, professional/scientific/technical, and construction.

The trend in business numbers reflects the interplay between new business formation and those businesses that have closed. At the height of the recession in 2009, the business closure rate in the county exceeded the business formation rate<sup>22</sup>. However, over the last five years business formation has increased and business closures have fallen. 2016 has seen business formation exceed business closure in Derbyshire for the third year in a row.

New businesses face many challenges starting up and not all survive their first year. However, over the last five years business survival rates have increased as the economic climate has improved. In 2010, 88.8% of Derbyshire firms survived their first year, a figure that had improved to 93.1% in 2014. Of those firms starting in 2010, 43.8% were in business five years later. This is more than that for England, demonstrating that Derbyshire firms seem more resilient than their national counterparts.

It is positive that local businesses seem relatively robust and survive longer. In addition to encouraging new businesses to start, it is important that they are able to grow. The number of business start-ups is increasing in the UK but there are relatively few high growth or so called 'scale up' firms. The Industrial Strategy Green Paper discusses the need to create an environment that is fit for purpose for the needs of the fastest growing firms. In the D2N2 area there are an estimated 230 scale up businesses<sup>23</sup>. Whilst these have a combined turnover of £8bn and employ around 75,000 staff, the region has a lower than average proportion of such firms, and helping provide the conditions for SMEs to grow strongly offers potential.

### Support for Derbyshire's SMEs

SMEs do not always have access to the finance and support they need to grow, with just nearly half of new entrepreneurs reporting that they require external funding to help them. Fear of failure is also a barrier to entrepreneurship. Business support can therefore be an important factor in facilitating firms to start and grow.

The importance of SME competitiveness is central to economic growth within the county with 'Fostering Enterprise and Business Growth' a key strategic theme of the Derbyshire Economic Strategy Statement which was published in 2014. The strategy has formed the basis for focusing efforts on ensuring businesses have access to both support and finance to start-up, survive and grow. The Global Derbyshire Small Business Support Programme (funded by the Regional Growth Fund) ended in 2015 and supported over 120 new and existing SMEs to create jobs. Following the latest monitoring, the programme has created 350 new jobs and safeguarded 155 to date.

The majority of existing SME support locally is focused around projects funded through the European Structural and Investment Funds (ESIF) Programme. Derbyshire County Council (DCC) and the Derbyshire Economic Partnership (DEP) are working alongside several other organisations, including D2N2, to provide help ranging from start-up grants to funding for established firms to buy new equipment. There are eight business advisors based at the D2N2 whose job it is to guide businesses to the right programme for them. The main ESIF programmes are:

**D2N2 Growth Hub:** the [Hub](#) is the main place that Derbyshire and Nottinghamshire businesses can go to for support. This gateway links businesses with an ambition to grow in the D2N2 area with support and information from business service providers. Many businesses want help, but don't know where to access this or what assistance might help them to realise their potential. The Growth Hub aims to support businesses by increasing the uptake and relevance of support from business service providers.

There is a core service which operates across the entire D2N2 geography, and also enhanced local services. The core service consists of awareness raising, information, advice and brokerage for businesses across D2N2 whilst the enhanced local service

support in Derbyshire, delivered by NBV Enterprise Solutions, enables a part time worker to give more intensive help across the eight districts. Additionally, to enable scale up and ambitious businesses to grow, the D2N2 Growth Hub is to develop a high growth support package to help create quality employment and raise productivity.

**The D2 Business Starter programme:** this is a partnership between Derby City and Derbyshire County Council which supports potential local entrepreneurs to start a business. Workshops, events and 1-2-1 support are to be provided through the [D2 Business Starter programme](#) with a focus on hand-holding individuals through the idea generation process, market testing and the development of a sustainable business plan. East Midlands Chamber of Commerce is running the project, which aims to lead to 50 new business starts between 2016 and 2019.

**D2 Enterprise Growth Fund:** the [D2 Enterprise Growth Fund](#) is part of the £11.2m D2N2 Growth and Innovation Programme, to which DCC has contributed £600k, and will provide grants of more than £50k to help businesses in Derby and Derbyshire expand and create high quality, long-term jobs. Derby City Council, the ERDF and the Government's Regional Growth Fund have also helped fund the project.

**Digital Business Growth:** the D2N2 Digital Business Growth Programme is a £7.2m project which will help businesses in the area make better use of digital technology to expand their businesses. DCC has contributed £41k to this which builds on the Digital Derbyshire project to roll out fibre broadband to homes and businesses across the county. As well as providing capital grants for businesses to invest in new technology, the programme will provide focused digital business support through events, seminars and 1-2-1 support. The programme is being managed by East Midlands Chamber and builds upon the success of the previous 'Delivering Digital Derbyshire (3D)' project.

**Invest in D2N2:** DEP is a partner in the Invest in D2N2 Project, which aims to bring new businesses and investment to the D2N2 area. DEP has contributed £90k to the £2.1m project, which promotes Derbyshire as a place to invest and supports SMEs looking to locate or expand into Derbyshire. It also helps existing businesses to grow. Between 2016 and 2019, DEP will work closely with Marketing Derby to



further develop the D2 offer to inward investors and aims to support 68 new businesses, encourage 17 new businesses to invest and create 130 new jobs.

Carbon emissions: in the D2 [Carbon Smart project](#) Derby City Council and Derbyshire County Council, together with the University of Derby, have developed a scheme aimed at helping at least 150 SMEs in the area to become more energy efficient. In the project, to which DCC is contributing £90k, grants of up to £15k will provide advice to businesses to reduce their carbon emissions by access to state-of-the-art equipment and technical expertise.

Growing and developing the visitor economy in Derbyshire: Marketing Peak District and Derbyshire and East Midlands Chamber are working alongside the Peak District National Park Authority, Derbyshire Dales District Council, High Peak Borough Council and Derbyshire County Council to support the capacity of SMEs in the visitor economy and its supply chains to grow in regional, national and international markets. This is a £1.5m project, into which DCC is putting £150k, providing enterprises with the support needed to access new and emerging markets. The project aims to offer a range of help including activity to increase the competitiveness of SMEs linked to the cycling boom; help for visitor economy businesses to benefit from their association with the high quality Peak District environment, and support for market towns. Derbyshire County Council is leading on supporting market towns to realise and maximise visitor potential through helping local businesses and town teams to co-ordinate efforts to develop a strong product for tourists. Another cross cutting strand of the project focuses on promoting distinctive Derbyshire products, most notably food and drink.

LEADER programme: Derbyshire County Council is the accountable body for the Rural Development Programme for England (RDPE), Peak LEADER programme. The £1.7m socio-economic programme is providing grant support across a range of themes including support for increasing farm productivity; farm diversification, and support for cultural and heritage activity. The Programme is delivering jobs and growth for businesses and communities across Derbyshire Dales, High Peak and Staffordshire Moorlands.

### British Investment Bank

Supporting enterprise and innovation is one of the five key objectives within the Midlands Engine Strategy, recently launched by the Government to help drive economic growth in the region post Brexit. To help address this, a £250mn fund, the Midlands Engine Investment Fund, run by the British Investment Bank, is to be invested in SMEs across the region.

### Concluding remarks

Derbyshire's SMEs make a vital contribution to the success of the county's economy, and once SMEs locally have been established they tend to last longer than their national counterparts. National policy continues to state the importance of private sector SME growth, so it is essential that the support programmes outlined above equip prospective and current entrepreneurs with the funding support and technical know-up to be able to succeed. Much existing SME support locally is focused around the projects that are European Regional Development Fund (ERDF) and Derbyshire County Council (DCC) funded through the European Structural and Investment Funds (ESIF) Programme, so it will be important to monitor how regional funding inequalities will be addressed as Brexit negotiations proceed.

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

<sup>2</sup>Gross Domestic Product (GDP) Preliminary Estimate, Quarter 1 2017, Office for National Statistics (ONS) © Crown Copyright. Published April 2017.

<sup>3</sup>Statistical Bulletin, UK Trade, March 2017. Published May 2017 and Statistical Bulletin Quarter 4 2016, Published March 2017. Both ONS © Crown Copyright.

<sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), April 2017, ONS © Crown Copyright. Published May 2017.

<sup>5</sup>Bank of England, Monetary Policy Committee Decisions, May 2017. Published May 2017.

<sup>6</sup>Bank of England Agents' Summary of Business Conditions, May 2017. Published May 2017.

<sup>7</sup>East Midlands Chamber of Commerce, Quarterly Economic Survey, Q1 2017. Published April 2017.

<sup>8</sup>Derbyshire Economic Partnership, 2016-2017. Published May 2017.

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

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

<sup>11</sup>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. This is used in the Annual Population Survey and is not compatible with the claimant count unemployment noted below.

<sup>12</sup>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. Additionally, claimant count unemployment published by the ONS 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 is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.

<sup>13</sup>Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2015 Mid-Year Population Estimates.

<sup>14</sup>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.

<sup>15</sup>DWP Benefits, November 2016, ONS (Nomis) © Crown Copyright. Published May 2017.

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

<sup>17</sup>Business Statistics Briefing Paper, 2016, House of Commons Library. Published November 2016.

<sup>18</sup>Global Entrepreneurship Monitor, UK 2015 Monitoring Report.

<sup>19</sup>UK Activity, Size and Location Survey, 2016 (ONS) © Crown Copyright. Published October 2016.

<sup>20</sup>UK Activity, Size and Location Survey, 2016 (ONS) © Crown Copyright, published October 2016 and Mid-year Population Estimates, 2015, (ONS) © Crown Copyright, published 2016.

<sup>21</sup>These figures should be treated with caution as they maybe overestimate the actual numbers.

<sup>22</sup>Business Demography, 2015, (ONS) © Crown Copyright. Published 2016.

<sup>23</sup>The Scale up Institute, 2017.

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