

DERBYSHIRE COUNTY COUNCIL

CABINET

5 October 2017

REPORT OF THE STRATEGIC DIRECTOR OF ECONOMY TRANSPORT AND COMMUNITIES

**DERBYSHIRE ECONOMIC REVIEW – SEPTEMBER 2017
(Economic Development and Regeneration)**

1. Purpose of the Report

To present the latest Quarterly Economic Review – September 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 <https://observatory.derbyshire.gov.uk/IAS/Custom/Pages/Economy/LEA.aspx>

Summary of Key Findings

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

- The second quarter of 2017 has seen a slight fall in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey. However, performance is still significantly higher than a year ago suggesting that firms locally remain competitive in the current uncertain climate.
- Sales growth for local businesses has continued in the UK and particularly in relation to export markets. However, whilst firms are generally confident about the domestic market there is slightly less confidence about future exports. There has also been a slight dip in predictions for turnover over the forthcoming quarter, however there has been a slight improvement in optimism about future

profits. There has also been a marked improvement in investment by firms in new plant and machinery, although this appears to be at the expense of investment in training, which has seen a dip over the last three months. The latter is a potential concern given that the number of firms who have expanded their workforce has fallen this quarter.

- 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%, and remains 0.6% points lower than the England rate. Following a prolonged period of decline, the rate in the county has been relatively stable for around two and a half years, with the rate being 1.3% for the last six months. However, there are five wards where the rate remains at or above 3.0%. These are Rother, Loundsley Green and St Helens in Chesterfield, and Awsorth Road and Cotmanhay in Erewash.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.0%, or 1,170 residents. The proportion of long-term unemployment has increased over the last three months. However, it remains slightly below the England figure of 32.6%.
- The youth unemployment rate in Derbyshire stood at 2.1% in July 2017, the same as the England figure. As with total unemployment, youth unemployment has stabilised, with the rate in Derbyshire being around 2% over the last 18 months. There were 110 young people who had been out of work for more than a year in the county in July 2017. Whilst this is below the figure of 155 a year ago, a quarter of unemployed young people had been out of work for more than a year.
- There has again been positive news on job creation this quarter across a range of sectors. In manufacturing, contracts secured by Bombardier in Derby at the end of June 2017 will secure 2,500 jobs until at least 2020. In July 2017, Somercotes based chocolate maker Thorntons revealed it is to take on 400 extra staff for Christmas production roles. In July 2017 planning permission to extend Toyota's despatch yard at Burnaston which will lead to 90 new jobs was granted, and Heanor based pudding firm Matthew Walker revealed at the end of May that its expansion into Christmas cake production will create 45 new jobs.
- In logistics, work has started on the new chilled warehouse at Markham Vale for Gist Limited which aims to provide 200 new jobs in the Chesterfield area. Additionally, the new Blue Jay Lodge, Alvaston, Derby, opened in July creating more than 60 jobs in hotels and catering, and car supermarket Motorpoint has announced an extra 20 jobs at its new contact centre in Derby. On the downside, Pisani plc, the stone supplier whose headquarters are in Matlock, entered into administration in June 2017 with the loss of 49 jobs, and Derby engineering firm EPM Technologies, announced in July the loss of 16 jobs.
- The employment rate locally has risen from 78.7% to 79.4% in quarter two of 2017, the highest rate for many years. There are 8,000 more people in employment across the county than a year ago, with South Derbyshire seeing the biggest rise in the employment rate, and Chesterfield, Derbyshire Dales and High Peak seeing a fall. A rise in self-employment levels has been a feature of the increase in employment levels, rising in Derbyshire for the sixth successive

quarter. These figures have contributed to one of the highest economic activity rates of 81.4%.

- The average price of a house in May 2017 was £168,089 in Derbyshire. Although around 30% lower than the average for England, the past few months have seen local annual house price growth exceeding that nationally for the first time in over three years. A number of areas have seen an above average rise over the last year with Belper in Amber Valley showing one of the fastest growth rates in England. However, the volume of house sales in the county has been falling with pressure on incomes thought to be making households less willing to make high cost purchases.

‘In focus’ topic – ‘Apprenticeships in Derbyshire’

Improvement in skills is one of the ten pillars in the Government’s Industrial Strategy proposals, which set out a vision for producing more balanced growth and improved productivity in the UK. Increasing the take-up and quality of apprenticeships is seen as central to economic competitiveness in the future. The Richards Review of 2012 highlighted that apprenticeships were not achieving their full potential and led to Government reform and the target to create three million apprenticeships between 2015 and 2020. The introduction of the apprenticeship levy in England is key in achieving this. It aims to put employer engagement at the heart of the programme, shifting funding from being in the hands of the education sector to the hands of employers.

In 2015/16 over 9,300 Derbyshire residents started apprenticeships, giving a take-up rate of 1.9 apprentices per working age person, slightly higher than across England. Apprenticeship starts are increasing and there is also an upwards shift in the levels to which apprenticeships are being taken across the county. This is encouraging in the context of the aspirations at the UK level to improve parity between vocational and academic routes. In addition to good progress being made on starts locally, the number of people achieving the apprenticeship qualification is rising. Over the past three years, there has been an increase of 13.1% in achievements, nearly double that nationally.

The skill requirements of the UK are likely to undergo dramatic change over the coming years linked to the further automation of the economy. Apprenticeships are widely recognised as a key route to meeting many of the UK’s future skills needs. Derbyshire has embraced apprenticeships with a number of good quality providers locally, e.g. Learning Unlimited based at Chesterfield College and also Derby College but it is important that this momentum continues. CBI research shows that 34% of respondents nationally will continue their current approach to training and apprenticeships and plan to absorb the levy as a tax. This indicates there is work to do to ensure that the apprenticeship reforms have maximum impact locally in both economic and workforce development. In terms of the Council as an employer it is making good progress on utilising the levy to develop its apprenticeship programme. Updates will be reported to Cabinet and the Employment and Skills Board as appropriate.

3. Equality and Diversity Considerations

Unemployment levels are as low as they have been for many years and the economy continues to grow. However, there are 6,300 Derbyshire residents on the claimant count, of which 1,600 are aged 16-24. There are also pockets where unemployment rates are well above the national average. DCC and partners are working hard to ensure that the skills needs of employers are met within the local labour market and that opportunities are available across the county. This includes boosting the number and relevance of apprenticeships and raising the number of young people county studying STEM subjects, a recognised skills gap in the UK economy.

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 – September 2017 and that the findings will be used to support future service planning and policy development.

Mike Ashworth
Strategic Director of Economy Transport and Communities

Derbyshire Economic Review - September 2017

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 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: 'Apprenticeships in Derbyshire'.

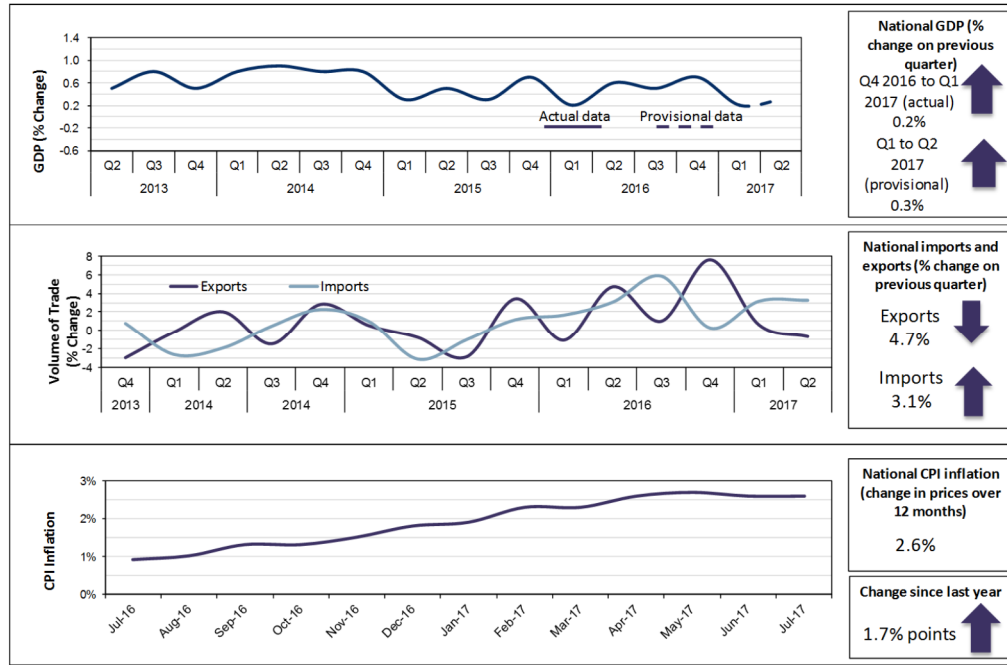
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Overview

- The UK economy expanded by 0.3% in the second quarter of 2017, marginally up on the 0.2% the previous quarter. The greatest contribution to growth was from the service sector, which expanded by 0.5%. However output in construction (-0.9%) and production (-0.4%) both contracted following two successive quarters of growth.
- The Consumer Prices Inflation rate (including housing costs) monitors changes in the price of goods and services purchased by households. The inflation rate was 2.6% for the 12 months to July 2017, the same as the month before, stalling the steady rise since the end of 2015. Inflation is expected to peak later in the year once the impact of the fall in sterling on import prices has passed.
- There was a slight dip in the level of economic growth for Derbyshire in the second quarter of 2017, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey. However, the current level of performance is well above that 12 months ago and the county's firms appear to be competitive in the current uncertain economic climate.
- The employment rate locally has risen from 78.7% to 79.4% over the past quarter and is 5.0% higher than that for England.
- The overall claimant count unemployment rate in Derbyshire remains relatively low at 1.3%, 0.6% points below the 1.9% for England. However, in five wards the rate is at, or above, 3.0%. These are Rother, Loundsley Green and St Helens in Chesterfield, and Awsorth Road and Cotmanhay in Erewash.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.0%. Following a fall over the previous quarter, the proportion of long-term unemployment has crept up over the last three months.
- The youth unemployment rate in the county is 2.1%, the same as for England. The rate in Derbyshire has been around 2% over the last 18 months. The number of wards where the youth rate is more than double the national rate has remained at six this quarter with the highest rates being in Cotmanhay (5.8%), St Helens and Awsorth Road (both 5.5%).
- The average house price in the county is £168,089, an annual increase of 7.2%. Whereas the rate of growth has continued to slow across the country, the past few months have seen the rate of annual growth in Derbyshire exceed that nationally for the first time in over three years. Belper in Amber Valley was recently named in the 10 towns showing the greatest house price growth in 2017.

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP) is estimated to have increased by 0.3%² in the second quarter of 2017, marginally up on the first quarter of 2017 (0.2%) and in line with forecasts. The greatest contribution to growth was from the service sector, which expanded by 0.5%, with retail sales and film production and distribution leading the way. The rise in the retail trade offsets the fall in the first quarter of 2017. Construction (-0.9%) and production (-0.4%) both contracted following two successive quarters of growth. Output in agriculture, the fourth major sector, increased by 0.6%.

The UK economy has now been growing for four and half years, however, the aggregate growth of 0.5% over the first half of 2017 is the lowest since 2013. The International Monetary Fund has recently downgraded its GDP growth forecast for 2017 from 2.0% to 1.7%. This is in the light of the relatively sluggish growth, which has been below that seen across the G7 countries. The Government has reiterated the need to boost productivity to provide further momentum, helping wages to grow and improving living standards in the UK.

In the second quarter of 2017, the total trade deficit of goods and services widened by just £0.1 billion to £8.9bn, as increases in imports were closely matched by increases in exports (both 0.5%)³. With the EU Referendum taking place a year ago, it is useful to look at the pattern of trade since that time. Initially the trade deficit almost doubled to £14.8bn in quarter three 2016. However, quarter four saw the deficit narrow to £4.8bn. The last two quarters have seen the picture stabilise at just under £9bn. It will be important to track this trend as Brexit negotiations continue.

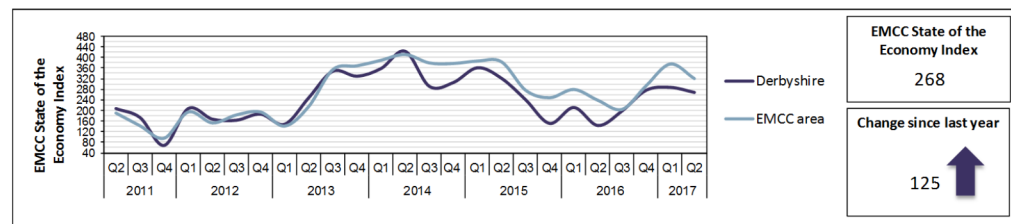
The annual Consumer Prices Inflation rate (including housing costs) currently stands at 2.6% for the 12 months to July 2017⁴. This is unchanged from the month before and slightly below the 2.7% forecast, stalling the steady rise since the end of 2015. The price of motor fuel continued to fall reflecting the recent decline in oil prices. This downward contribution was offset by smaller upward contributions from a range of goods and services, including clothing, household goods, gas and electricity, and food and non-alcoholic beverages. The impact of the fall in sterling over the last year on import prices has been a factor although a global rise in some commodity prices is also thought to have had an influence. Inflation, which is above its target rate of 2%, is expected to peak at around 3% later in the year.

The BoE's Monetary Policy Committee voted to leave the interest rate at 0.25% in August 2017⁵. Although inflation hit an almost four year high of 2.9% in May 2017, the BoE recognises that with GDP growth being relatively sluggish in 2017 to date, there is a balance to be struck between using a rise in interest rates to moderate inflation, and ensuring growth continues. The Committee therefore voted 6-2 in favour of the status quo. Although the BoE has downgraded its growth forecasts for 2017 and 2018 to 1.7% and 1.6% from 1.9% and 1.7%, wage growth is predicted to pick up over the next few years, and financial markets expect interest rates to start to rise over this period. The BoE also highlighted the following national trends as at August 2017⁶:

- Consumer spending growth has slowed slightly further.
- Business services turnover growth has continued at a moderate pace.
- Manufacturing output growth has strengthened again.
- Construction output growth remained modest.
- Investment intentions remained positive overall although uncertainty remained.
- Credit availability remained readily available generally.
- Investor demand for UK commercial real estate has continued to increase.
- Overall employment intentions remained modest.
- Recruitment difficulties have edged higher.

Local Economic Context

Business Conditions



The second quarter of 2017 has seen a slight fall in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷. However, performance is still significantly higher than a year ago suggesting that firms locally remain competitive in the current uncertain climate.

Sales growth for local businesses has continued in both the UK and particularly export markets. However, looking forward, whilst firms are generally confident about the domestic market there is slightly less confidence about export orders. There has also been a slight dip in predictions for turnover over the next quarter, however this does not translate into optimism about future profits, where there has been a slight improvement this quarter. Encouragingly, there has been a marked improvement in investment by firms in new plant and machinery, although this appears to be at the expense of investment in training, which has seen a dip over the last three months. The latter is a potential concern given that the net value of firms having expanded rather than contracted their workforce has dipped over the last quarter.

A recent Bank of England consultation event with local companies in Derbyshire highlighted local feeling. Whilst it was thought that the General Election and Brexit have created some uncertainty, they are continuing to invest, recognising the importance of this to future competitiveness. Although productivity growth remains slow, the economy is relatively stable and there is also no evidence that this is leading to business insolvencies locally.

Investment

10 enquiries from firms seriously looking to invest in the county⁸ were received between May and July by the Derbyshire Economic Partnership, bringing the total for 2017/18 to 17. Encouragingly this is higher than the equivalent figure of 10 for 2016/17.

Local Economic Context

Over the past quarter at Markham Vale, Great Bear Ltd have continued their recruitment and have arranged a recruitment evening in Chesterfield town centre. On Markham Vale North, the construction of a second unit for Great Bear is also progressing, a 480,000 sq.ft logistics centre, which when complete will create a further 400 new jobs. To the rear of this building, construction is due to start in August on a new development for a medical equipment supplier, which will comprise a 69,125 sq.ft. manufacturing facility with the option of a 51,000 sq. ft. extension. On a nearby plot, the food distribution company Gist has announced that they will be occupying the 90,600 sq.ft chilled food distribution facility which is already under construction.

Also, on Markham Vale North the German car parts company, Ferdinand Bilstein, are gearing up for their official launch in mid-September. They are planning a business sector launch involving a trans-Europe car rally along with an open day for potential employees. Other existing companies at Markham vale are also stepping up their recruitment activities with vacancies advertised almost daily across a range of sectors and levels. The Markham Vale 'Grow Your Workforce' service signposts to all these vacancies through the @MarkhamValeJobs twitter and facebook pages.

On Markham Vale East, Priority Space is on target to complete the construction of a speculative development in September, which will comprise 13 workshop spaces ranging in size from 1,244 sq. ft. to 3,050 sq. ft. An enquiry to acquire two nearby development plots is at the early stage of discussions.

On Markham Vale West, terms have been agreed for the construction of a 43,000 sq. ft. manufacturing and distribution unit. It is anticipated that a planning application will be submitted with the aim of construction starting in January 2018.

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 2017.

Job Losses

- Pisani plc, the stone supplier whose headquarters are in Matlock, entered into administration in June with the loss of 49 jobs.
- Derby engineering firm EPM Technologies, announced in July the loss of 16 jobs.

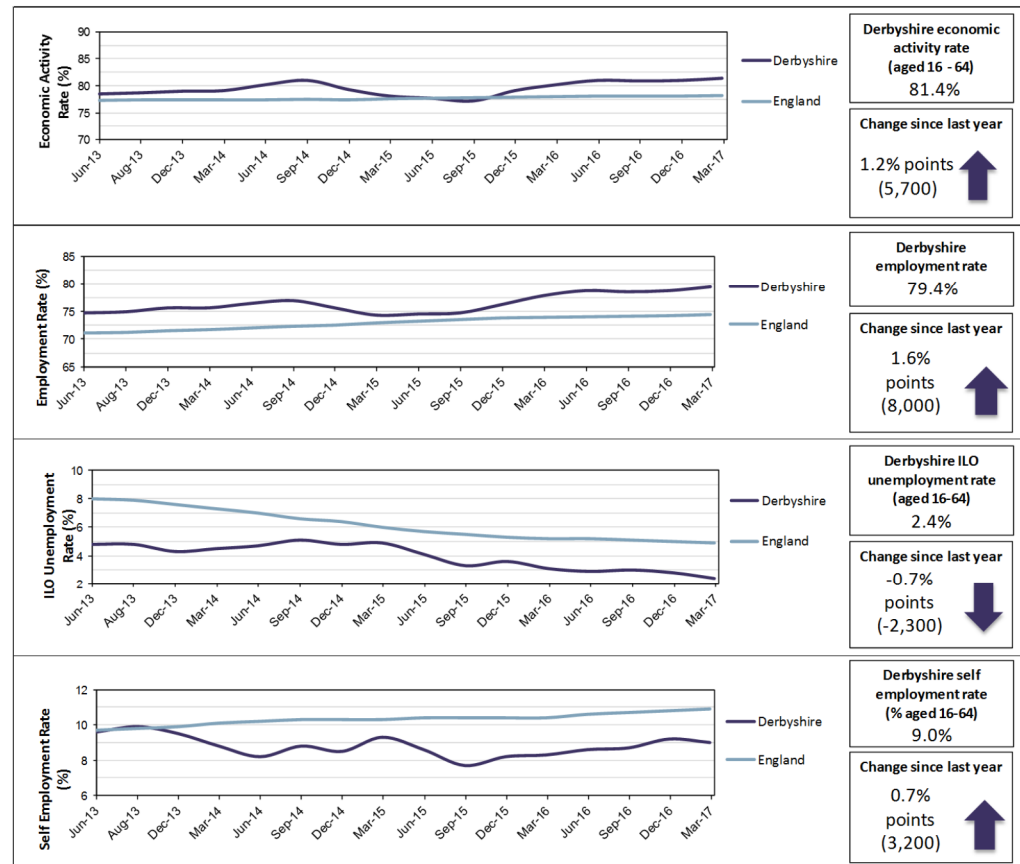
Local Economic Context

Job Gains

- Contracts secured by Bombardier in Derby at the end of June will secure 2,500 jobs until at least 2020.
- In July, Somercotes based chocolate maker Thorntons revealed it is to take on 400 extra staff for Christmas production roles.
- The new chilled warehouse at Markham Vale for Gist Limited, on which work has just started, aims to provide 200 new jobs in the Chesterfield area.
- Planning permission granted in July to extend Toyota's despatch yard at Burnaston will lead to 90 new jobs.
- The new Blue Jay Lodge, Alvaston, Derby, opened at the end of July creating more than 60 jobs
- Heanor based pudding firm Matthew Walker revealed at the end of May that its expansion into Christmas cake production will create 45 new jobs.
- Derby Formula One supplier Pentaxia announced in June that a move to bigger premises in the city will create 20 new jobs.
- At the beginning of July car supermarket Motorpoint announced an extra 20 jobs at its new contact centre in Derby.
- White House Nursery completed a recruitment drive in July to fill 15 jobs at its new nursery in Alfreton that will open in September.

Labour Market

Labour Market Participation



Source: Annual Population Survey, Apr 2016-Mar 2017, ONS (Nomis) © Crown Copyright.

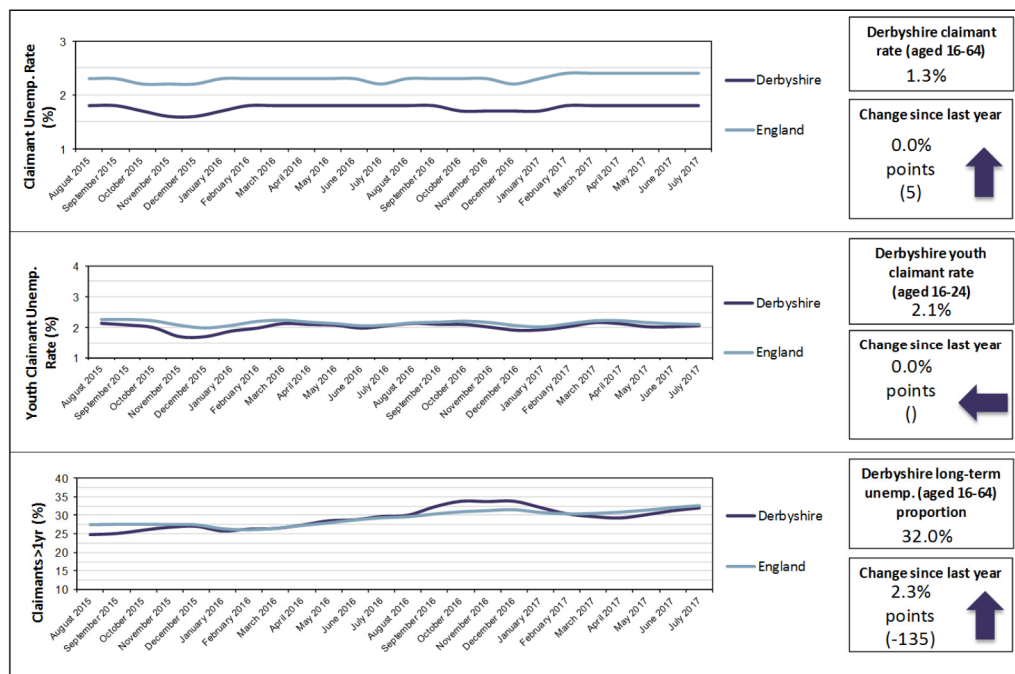
The employment rate⁹ locally rose from 78.7% to 79.4% in quarter one of 2017, the highest rate for many years. There are 8,000 more people in employment across the county than a year ago, with South Derbyshire seeing the biggest rise in employment, and Chesterfield, Derbyshire Dales and High Peak seeing a fall. At 81.4%, the proportion of people who are economically active¹⁰ in the county is also at a high point.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. This stands at 2.4%, with 2,300 fewer people unemployed than a year ago. However, this does not fully account for the rise in

Labour Market

employment. The biggest contribution appears to come from those who were economically inactive, with this number falling by 5,700 over the last 12 months.

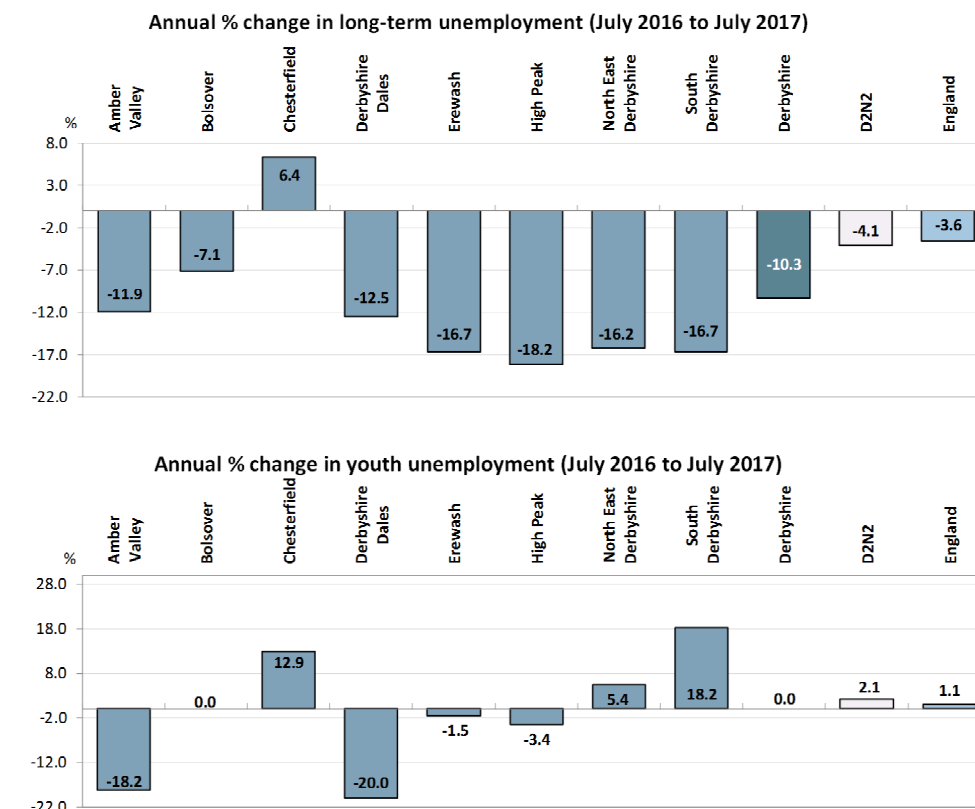
Self-employment levels have been rising in Derbyshire for the sixth successive quarter and are a feature of the rise in employment. Self-employment can be linked to entrepreneurship in an economy. However it is not clear the extent to which this is a positive choice by individuals or driven by the need to secure work. Across the UK shifts to self-employment have helped to drive growth. However, in recent years, nearly three quarters of the rise in self-employment has been part-time.



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% (6,300 residents), and remains 0.6% points lower than the England rate¹². Following a prolonged period of decline, the rate in the county has been relatively stable for around two and a half years, with the rate being 1.3% for the last six months. However, there are five wards where the rate remains at or above 3.0%. These are Rother, Loundsley Green and St Helens in Chesterfield, and Awsworth Road and Cotmanhay in Erewash.

Labour Market

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.0%, or 1,170 residents. Following a fall over the previous quarter, the proportion of long-term unemployment has increased over the last three months. However, it remains slightly below the England figure of 32.6%. Although the proportion of long-term unemployment locally has risen over the last year, the actual number of people long-term unemployed has fallen by 135. Seven districts have seen long-term unemployment fall over the last year, the greatest being High Peak (-18.2%). The exception is Chesterfield, where the number has risen by 6.4% to 250.



Source: JSA (long-term) and claimant count (youth), ONS (NOMIS) © Crown Copyright

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

Labour Market

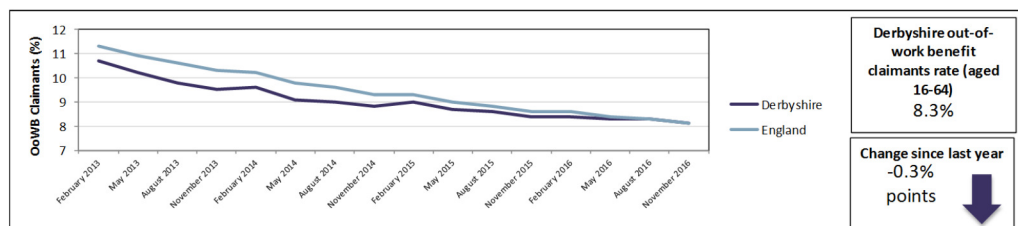
The youth unemployment rate¹³ in Derbyshire stood at 2.1% (1,600 young people) in July 2017, the same as the England figure. As with total unemployment, youth unemployment has stabilised, with the rate in Derbyshire being approximately 2% for the last 18 months. However, three districts have shown an increase in youth unemployment over the last year, the most significant being South Derbyshire, as was also the case in the June Economic Review. Chesterfield and High Peak have also seen an increase. Four of the remaining five districts have shown a fall, with Derbyshire Dales showing the greatest decline, whilst there has been no change for Bolsover.

There were 110 young people who had been out of work for more than a year in the county in July 2017. Whilst this is below the figure of 155 a year ago, a quarter of unemployed young people had been out of work for more than a year, 5.6% points above the figure for England.

It is widely recognised that the UK has a shortage of Science, Technology, Engineering and Mathematics (STEM) skills at both graduate and technician level, with 43% of STEM vacancies hard to fill¹⁴. Boosting the number of young people in the county studying STEM subjects will be important in ensuring that local employers can compete in the future. The investment by DCC and partners in apprenticeship programmes as well as STEM activities run by the Derbyshire Education Business Partnership will help to nurture interest in STEM subjects.

Benefits

The working age benefit claimant series has been discontinued by the Department for Work and Pensions so the analysis here is from the last Quarterly Economic Review. The proportion of working age residents claiming an Out-of-Work Benefit (OoWB)¹⁵ has been falling since the Spring of 2010. In November 2016, the proportion of the county's residents claiming an OoWB was 8.1%¹⁶, the lowest it has been since this indicator was first published in 1999. Additionally, there were just two wards where more than 20.0% of 16-64 year olds are claiming an OoWB. These were Shirebrook North West in Bolsover and Loundsley Green in Chesterfield.



Labour Market

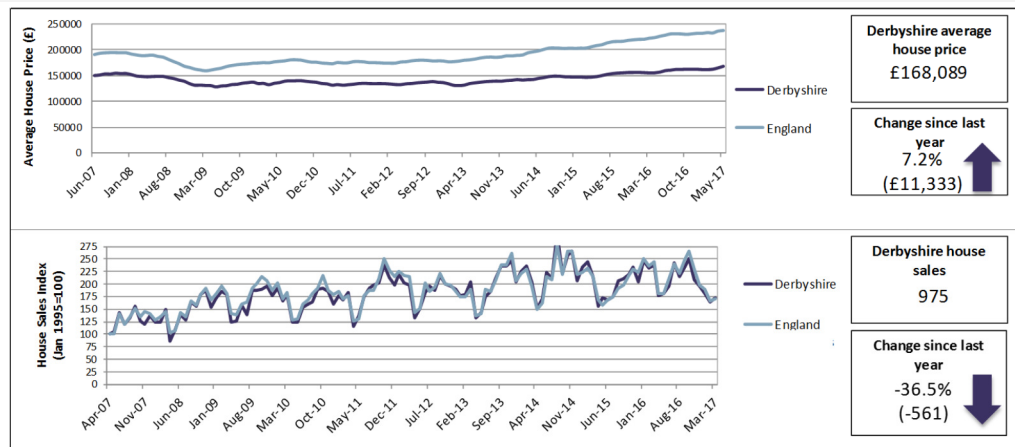
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (February 2017 except PIP, UC and JSA sanctions*)						
Employment Support Allowance (ESA)	30,350	6.3	5.6	750	2.5	↑
- Long term claimants (1yr or more)	24,610	81.1	80.3	1,010	4.3	↑
- 18 to 24 year old claimants	2,510	8.3	7.5	-80	-3.1	↓
Lone Parent Income Support (LPIS)	4,130	0.9	1.0	-180	-4.2	↓
- Long term claimants (1yr or more)	2,880	69.7	72.6	-110	-3.7	↓
- 18 to 24 year old claimants	1,070	25.9	23.7	-170	-13.7	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	51,594	6.6	5.5	1,129	2.2	↑
Universal Credit (UC)	4,203	0.9	1.4	1,340	46.8	↑
JSA/UC sanctions	317	0.1	0.0	1	0.3	↑
Carers allowance - working age group	10,110	2.1	1.9	360	3.7	↑
Household benefits (May 2017)						
Housing Benefit claimants	46,534	13.7	16.7	-1,796	-3.7	↓
Households affected by removal of Spare Room Subsidy	4,933	10.6	8.2	-102	-2.0	↓
- 1 Bedroom	4,120	83.5	82.7	-83	-2.0	↓
- 2 or more bedrooms	813	16.5	17.3	-19	-2.3	↓
Benefit Cap	555	0.2	0.3	458	472.2	↑

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

Notes: * PIP/Disability Living Allowance (DLA) February 2017, UC July 2017, and JSA/UC sanctions

In Derbyshire, 6.3% of working age respondents are claiming ESA, similar to England. Of these, 81.1% have been claiming ESA for over 12 months. Lone parents claiming income support make up 0.9% of the working age population, with over a quarter being aged 18-24, whilst the proportion of residents claiming a PIP/DLA stands at 6% (51,600). The number of UC claimants has 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. The number of people claiming JSA/UC who have had their benefit stopped or reduced through sanctions remains around 320. Around 10,100 (2.1%) of people locally are claiming working age carers allowance, similar to the national figure. There remain a lower proportion of households claiming housing benefit (13.7%) than England (16.7%) but a higher proportion of claimants have been affected by removal of the spare room subsidy¹⁷. There has 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.



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

The average price of a house in May 2017 was £168,089 in Derbyshire. Although this remains around 30% lower than the average for England, the past few months have seen local annual house price growth exceeding that nationally for the first time in over three years. Additionally, with house prices in Bolsover exceeding their pre-recession peak in May for the first time, prices across all districts in the county are now higher than prior to the downturn. A number of areas have seen an above average rise over the last year and Belper in Amber Valley was recently highlighted by Zoopla in the top 10 towns across England for house price growth, to date, in 2017.

Despite the rise locally, growth nationally is slowing, with London and the South-East, areas which have led house price growth in recent years, seeing the sharpest fall in growth over the last year. House price growth can give homeowners confidence, but can also mean affordability is an issue for those not on the property ladder. A slowing in growth may therefore be welcome for many.

Across the country and in Derbyshire, the volume of house sales has been falling year on year for the last 12 months with pressure on incomes thought to be making households less willing to make high cost purchases. However, economists believe that a combination of low mortgage rates and a shortage of properties coming on to the market will ensure that house prices rise across the country over the coming months, albeit at a reduced rate.

Apprenticeships in Derbyshire

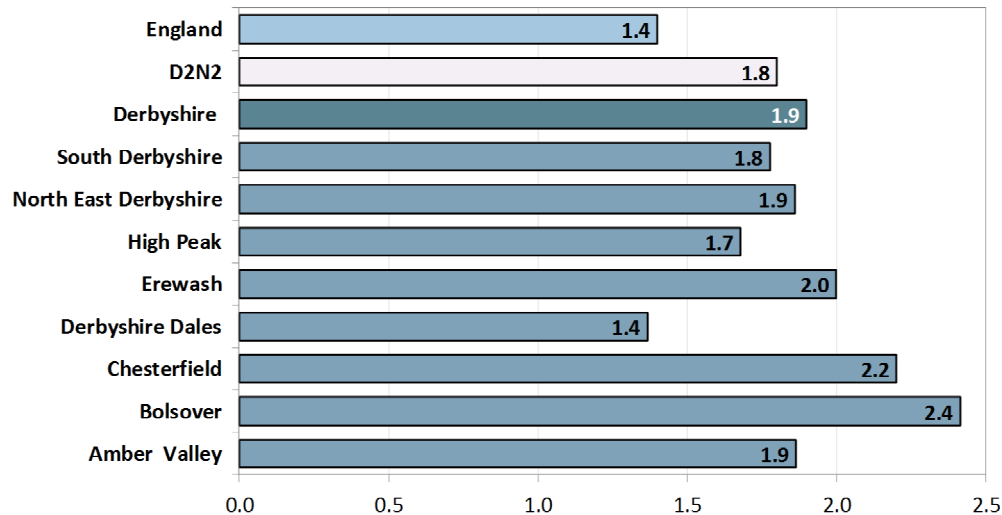
Improvement in skills is one of the ten pillars in the Government's Industrial Strategy proposals, which set out a vision for producing more balanced growth and improved productivity in the UK. Increasing the take-up and quality of apprenticeships is seen as central to economic competitiveness in the future. This spotlight discusses the Government's ongoing reform of apprenticeships and provides some local context for Derbyshire.

The Richards Review of 2012 highlighted that apprenticeships were not achieving their full potential and led to Government reform and the target to create three million apprenticeships between 2015 and 2020. The introduction of the apprenticeship levy in England is key to the reform. This aims to put employer engagement at the heart of the programme, shifting funding from being in the hands of the education sector to the hands of employers. The levy is payable by firms having an annual salary bill of more than £3 million and amounts to 0.5% of a firm's total pay bill. Smaller firms, including the vast majority of Derbyshire's 30,800 businesses¹⁸, don't have to pay the levy, although they will now be required to pay 10% towards the cost of the training, with the Government paying the remaining 90%.

The latest data available on apprenticeships in the county is a good benchmark locally at the start of reforms. In 2015/16 over 9,300 Derbyshire residents started apprenticeships, giving a take-up rate of 1.9% of the working age population, slightly higher than in England¹⁹. Across Derbyshire the take-up level is greatest in Bolsover and Chesterfield and lowest in Derbyshire Dales and High Peak, with the latter areas likely to reflect reduced levels of access to provision in more rural areas of the county. The majority of apprenticeships (57.7%) are at Intermediate level (equivalent to a level two qualification or GCSE A*-C) and a further 36.6% are on an Advanced Apprenticeship (equivalent to level three or A-level). Higher level apprenticeships have only been up and running since 2010 and the number of people taking them is relatively low, at 5.6% (520) starts.

However, the number of people taking the Higher Apprenticeship is rising steadily, with an increase of 440 starts locally over the last four years. Additionally, over this period there has been an increase of 7.3% in Advanced Apprenticeships whilst the number of Intermediate Apprenticeships has fallen by 8.9%. Total apprenticeship starts have increased by 1.6% over the last four years in the county although two

% of working age population starting an apprenticeship in 2015/2016



districts, Derbyshire Dales and North East Derbyshire, have seen a fall recently. The shift in levels to which apprenticeships are being taken is encouraging in the context of UK aspirations to improve parity between vocational and academic routes and is also more marked than the upwards shift seen nationally.

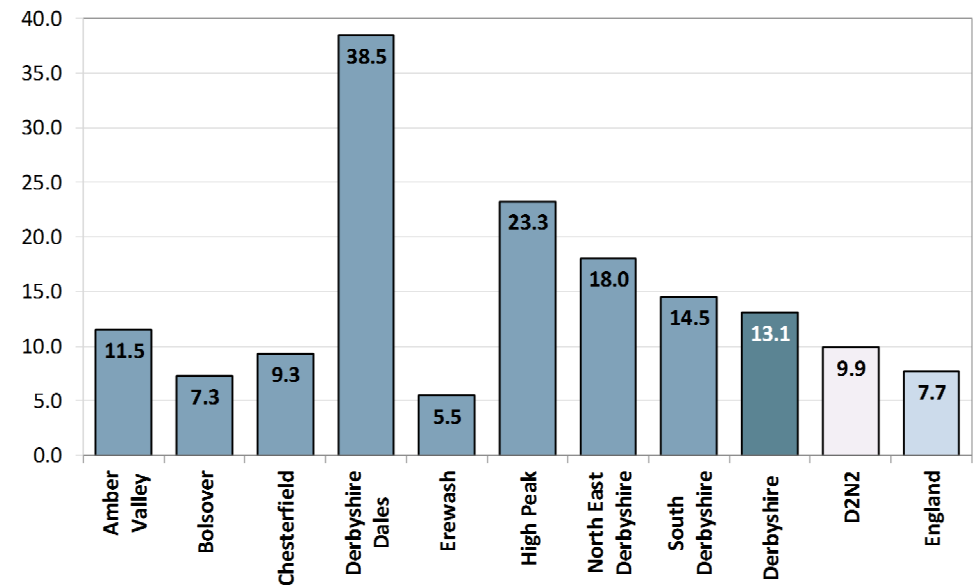
Since 2004/05, apprenticeships have been available to those people aged 25 and over as well as those aged 16-24, and this group now makes up the majority of apprentices (40.2%), with the remaining number being evenly split between those aged under 19 and those aged 19-24. Compared with England, the county has a slightly younger age profile of apprentices than England.

The latest data from the University Admissions Service (UCAS) shows that the number of people applying for UK university places has fallen by more than 25,000 (4.0%) on last year. A number of factors have been cited for the fall, including Brexit, increasing fees and funding changes for trainee nurses and midwives. However, it is possible that the introduction of degree level apprenticeships may be providing an alternative for some students so it will be important to watch the take-up of these.

In addition to good progress being made on starts locally, the number of people achieving the apprenticeship qualification is rising as shown in the following chart. Over the past four years, there has been an increase of 16.6% in achievements,

compared with 5.3% nationally²⁰. All districts have seen an increase with Derbyshire Dales seeing the greatest rise. Although the district has seen a fall in starts it is positive that achievement levels are improving. For achievements, as with starts, the majority are at Intermediate level (59.8% of achievements). Perhaps, not surprisingly achievement levels fall as the levels get higher, with only 2.5% of apprenticeship achievements at the higher level.

% Change in Apprenticeship achievements 2013-2016



Due to the size of its payroll, Derbyshire County Council is required to pay the new levy. It is estimated that the Council's contribution will be around £2.2 million per year. Increasing the number of apprentices is a key priority over the next four years and 100 new placements have recently been advertised. DCC is keen to ensure that its levy fund achieves maximum impact in both workforce and wider economic development. One possible area being discussed is whether public bodies, such as the Council, can pool some of their levy funds to contribute to the development of a talent pool for non-levy paying SMEs.

One example could be in the area of personal and social care, an occupational area where there are skills shortages due the growing elderly population placing increased demands on services. Although the Council might have the funds to train

a group of care workers it might not be able to employ them all. However, such qualified individuals could be an asset to other employers. Conversely, the levy fund could be used to plug skills shortages within the Council itself. There are currently a number of areas where there is a shortage of qualified staff, including planning and civil engineering. Apprenticeship levy funds could help to train staff in these occupations.

The changes in the funding and scope of apprenticeships represent a dramatic shift. Derbyshire has performed well recently in apprenticeship starts and also attainment so it is important that this continues and partners locally are beginning to discuss how the new arrangements can be implemented across the county. There are a number of potential issues that will need to be monitored. These include a greater focus on providers needing to sell the benefits of their programmes to firms, with the funding being in the hands of the employer; the requirement of smaller firms to pay 10% towards the cost of the training as opposed to being only encouraged to do so before; and the cost of higher/degree apprenticeships which are increasingly seen as an important strand in boosting the value of the UK economy.

The skills requirements of the UK economy are going to undergo significant change over the coming years, with further automation within some sectors presenting challenges for many employers. This will be at all levels but particularly around higher skills. The proportion of businesses not confident that there will be a large enough workforce available in the future with the skills to fill their high-skilled jobs has reached a new high (69%)²¹. However, apprenticeships are widely recognised as a key route to meeting many of the UK's future skills needs with over 70% of businesses involved in the apprenticeships programme. Some commentators also suggest that if Brexit results in reduced levels of migrant labour then the apprenticeship programme will be vital to plugging any resulting skills gaps.

Derbyshire has embraced apprenticeships with a number of good quality providers locally, e.g. Learning Unlimited based at Chesterfield College and also Derby College. It is important that this momentum continues. However, the CBI research shows that 34% of respondents nationally will continue their current approach to training and apprenticeships and plan to absorb the levy as a tax. This indicates there is work to do to ensure that the apprenticeship reforms have maximum impact locally in both economic and workforce development. In terms of the Council as an employer it is making good progress on utilising the levy to develop its apprenticeship programme. Updates will be reported to Cabinet and the Employment and Skills Board as appropriate.

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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 2017, Office for National Statistics (ONS) © Crown Copyright. Published July 2017.
- ³Statistical Bulletin, UK Trade, June 2017, ONS © Crown Copyright. Published August 2017.
- ⁴Statistical Bulletin, Consumer Price Inflation (CPI), July 2017, ONS © Crown Copyright. Published August 2017.
- ⁵Bank of England, Monetary Policy Committee Decisions, August 2017. Published August 2017.
- ⁶Bank of England Agents' Summary of Business Conditions, August 2017. Published August 2017.
- ⁷East Midlands Chamber of Commerce, Quarterly Economic Survey, Q2 2017. Published July 2017.
- ⁸Derbyshire Economic Partnership, 2016-2017. Published Aug 2017.
- ⁹The employment rate is the percentage of the working age population (age 16-64) who are employed including the self employed.
- ¹⁰The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.
- ¹¹ILO 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 Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits 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.
- 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 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.
- ¹³Youth 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.
- ¹⁴Article in the Telegraph Online, based on information from the UK Commission for Employment and Skills, published November 2016.
- ¹⁵Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.
- ¹⁶DWP Benefits, November 2016, ONS (Nomis) © Crown Copyright. Published May 2017.
- ¹⁷Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.
- ¹⁸UK Activity, Size and Location Survey, 2016 (ONS) © Crown Copyright. Published October 2016.
- ¹⁹Apprenticeships-geography-data-tool-starts-11-12 to 16-17provisional, Department for Education. Published 2017.
- ²⁰Apprenticeships-geography-data-tool-achievements-11-12 to 15-16, Department for Education. Published 2017.
- ²¹The Right Combination, Education and Skills Survey, 2016, CBI/Pearson. Published July 2016.

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