

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEETING**

**3 December 2013**

Report of the Acting Strategic - Director of Environmental Services

**DERBYSHIRE ECONOMIC REVIEW – DECEMBER 2013 (JOBS,  
ECONOMY AND TRANSPORT)**

(1) **Purpose of the Report** To present the latest Derbyshire Economic Review – December 2013 to Cabinet.

(2) **Information and Analysis**

**Background**

The Derbyshire Economic Review provides up to date and relevant economic data to the Council and partner agencies. The Review is updated on a quarterly basis by the Policy and Research Division and reports on key national and local economic trends available from the Derbyshire Observatory website. It also provides commentary on an area of priority activity being delivered by the County Council. The December 2013 edition attached as an appendix, focuses on European Union funding for the 2014-2020 period, including the allocation of European Structural and Investment Funds and the Assisted Areas Map.

The report is used to formulate relevant economic policy and delivery activity. It also enables the County Council to support and facilitate the delivery of partnership activity, most notably through the Derbyshire Economic Partnership and the Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Local Enterprise Partnership.

**Key Findings for Derbyshire**

In quarter 3 of 2013, the performance of the Derbyshire economy has improved significantly according to the Derbyshire and Nottinghamshire Chamber of Commerce's State of the Economy Index. This improvement has been largely driven by improved domestic sales and orders. Derbyshire also has high levels of labour market participation with an employment rate that stands well above the England average, and lower than average overall unemployment levels. However, there are parts of the County that suffer from high levels of unemployment, particularly youth and long-term unemployment. The level of Deprivation being experienced across the County is also a key

## Public

concern for the Derbyshire economy. There has been an increase in the demand for debt support across the County, with Credit Unions reporting an increase in the number of people approaching them for assistance and a rise in the number and usage of food banks.

### Next Steps

The next Economic Review will be published in February 2014 and will focus in detail on the topic of economic exclusion, looking at the rising levels of deprivation and use of food banks and crisis loans. It is recommended that Cabinet notes the information presented within the Derbyshire Economic Review – December 2013 and uses the findings to support future service planning and policy development. Partners from the public, private and voluntary, and community sectors are also encouraged to validate and contribute to the information made available in the review and the information on the Derbyshire Observatory website to assist policy making across Derbyshire.

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

(3) **Key Decision** No.

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

### (5) **Background Papers**

Appendix 1 – Derbyshire Economic Review (December 2013).

All relevant background papers are held within the Policy and Research Division. Officer contact details Frank Horsley, extension 38348.

(6) **OFFICER'S RECOMMENDATIONS** That Cabinet notes:

6.1 The information presented within the Derbyshire Economic Review December 2013.

6.2 That the findings will be used to support future service planning and policy development.

**Mike Ashworth**  
**Acting Strategic Director - Environmental Services**

### Introduction

This review aims to give 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 future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which aims to be a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: European Funding.

### Contents

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



Policy and Research Division  
Corporate Resources  
Derbyshire County Council  
County Hall  
Matlock  
Derbyshire  
DE4 3AG  
Email: [research@derbyshire.gov.uk](mailto:research@derbyshire.gov.uk)

- Nationally, economic growth provisionally increased by 0.8% between quarter 2 and quarter 3 of 2013. All four main industrial groupings within the economy (agriculture, production, construction and services) saw increases this quarter.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The annual CPI rate stands at 2.2% for the 12 months to October 2013, down -0.5% points from September, but still above the national target of 2.0%.
- According to the Derbyshire and Nottinghamshire Chamber of Commerce's State of the Economy Index, the performance of the Derbyshire economy has improved significantly in quarter 3 of 2013, driven by improved domestic sales and orders, nudging above the rate of growth for the region.
- The county has above average levels of labour market participation with an employment rate of 74.9% compared with 71.3% for England in June 2013.
- In October 2013 the overall claimant count unemployment rate is lower in Derbyshire (2.3%) than England (3.0%), although hotspots exist across the county where unemployment levels are severely high.
- Currently almost a third of all unemployment claimants in Derbyshire have been out of work for more than a year, a similar pattern to that seen nationally.
- Youth unemployment in Derbyshire stands at 4.5%, marginally higher than the England rate of 4.3%. In 16 wards in the county the problem is particularly acute where the level of youth unemployment is more than double the national rate.

<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 3 2013, ONS © Crown Copyright. Published October 2013.

<sup>2,3</sup> Statistical Bulletin, Quarterly National Accounts, Quarter 2 2013, ONS © Crown Copyright. Published September 2013.

<sup>4</sup> Statistical Bulletin, Consumer Price Inflation (CPI), October 2013, ONS © Crown Copyright. Published November 2013. The CPI is the main UK domestic measure of consumer price inflation for macroeconomic purposes. It forms the basis for the Government's target for inflation that the Bank of England's Monetary Policy Committee is required to achieve.

<sup>5</sup> Bank of England, Monetary Policy Committee Decisions, November 2013. Published November 2013. Note, this indicator is known as 'the bank rate'.

<sup>6</sup> Bank of England Agents' Summary of Business Conditions, October 2013. Published October 2013.

<sup>7</sup> Derbyshire and Nottinghamshire Chamber of Commerce, Quarterly Economic Survey, Q3 2013. Published October 2013.

<sup>8</sup> Derbyshire Economic Partnership, 2013. Published November 2013.

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

<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.

<sup>13</sup> Youth unemployment relates to people aged 16-24. The rates for young people at ward level are unofficial and have been calculated using population figures from the 2010 Mid-Year Population Estimates.

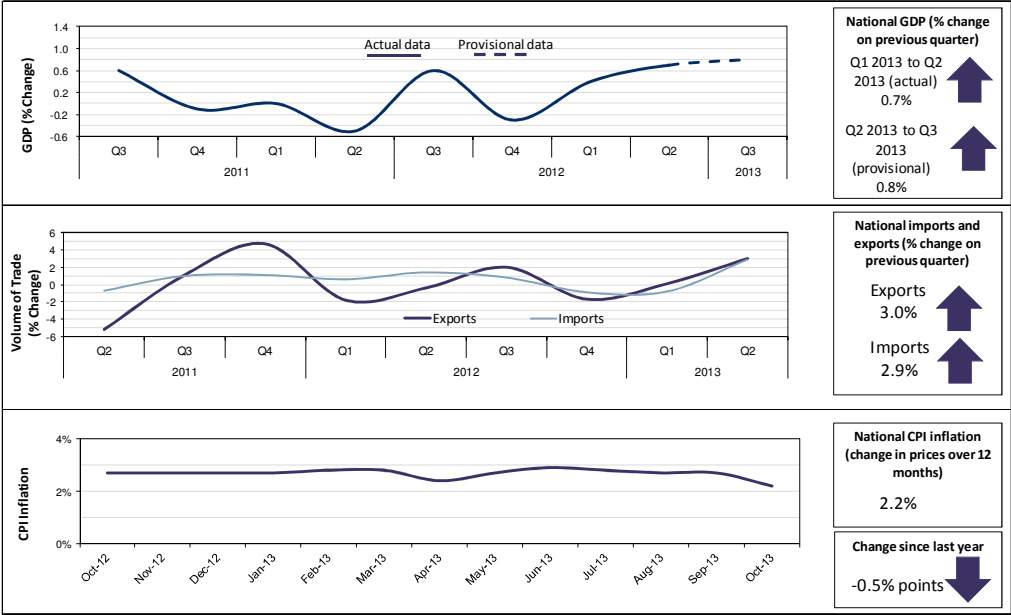
<sup>14</sup> Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.

<sup>15</sup> Department for Work and Pensions (DWP) Benefits, May 2013, ONS (Nomis) © Crown Copyright. Published November 2013.

| Version                | Author                                   | Date                               | Contact  |
|------------------------|--|------------------------------------|--|
| 0.03<br>Restricted     | Policy and Research, Corporate Resources | 13/11/2013                         | <a href="mailto:research@derbyshire.gov.uk">research@derbyshire.gov.uk</a> |
| Source                 |  | Geography                          |  |
| Various, see End Notes |  | Derbyshire, East Midlands, England |  |
| Notes                  |  |                                    |  |

This page has been left blank intentionally.

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), an indicator of economic growth, is estimated to have increased by 0.8% between quarter 2 and quarter 3 of 2013<sup>2</sup>. GDP for each of the main industrial groupings (agriculture, production, construction and services) has increased in quarter 3 of 2013.

The largest contribution to GDP growth is from the service sector, with output from services contributing 0.6% points to the increase in GDP. This is 0.4% above the previous services sector peak in quarter 1 of 2008. Construction has also shown strong growth with work on private housing and private commercial construction key contributors to this.

The volume of trade for exports increased by 3.0% in quarter 2 of 2013 whilst there was an increase of 2.9% in imports<sup>3</sup>. The net trade deficit remains unchanged in quarter 2 from the previous quarter, at £5.5billion. Concern remains that the recovery is being driven by credit-driven spending rather than manufacturing and productive investment.

The annual Consumer Prices Index inflation rate currently stands at 2.2% for the 12 months to October 2013, down 0.5% points from September<sup>4</sup>, but above the national target of 2.0%. The largest contributions to the fall in the inflation rate comes from the transport (notably motor fuels) and education (tuition fees) sectors.

The Bank of England interest rate stands at 0.5%<sup>5</sup> and has remained unchanged since March 2009. Additionally the Bank of England highlighted the following national trends as at October 2013<sup>6</sup>:

- Growth in demand and output has gathered pace.
- Underlying consumer confidence and spending has picked up a little further on a year ago.
- Demand for housing has continued to strengthen.
- Investment intentions remain modestly positive and show signs of improvement.
- Growth in manufacturing output for domestic and overseas markets has picked up.
- Business services turnover growth has strengthened as work volumes increase.
- Construction output growth has continued to increase as house-building activity rises, though there are rising reports of capacity constraints starting to bite.
- Corporate credit availability and demand has increased a little.
- Employment intentions have risen in business services. Recruitment difficulties have tightened a little but remain marginally below normal.

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

- Additionally, it is proposed that economic opportunity, such as that offered by manufacturing firms in economically disadvantaged areas is now considered, not just areas in economic need, such as whether a ward has a low employment rate. These changes may have an effect on the areas currently eligible for Assisted Area status within Derbyshire.

### Growth Deal

The Government has also confirmed its commitment to negotiating a Growth Deal with every LEP. Growth Deals are to be implemented from April 2015 and through these LEPs can seek a share of a new Local Growth Fund to target their identified growth priorities. In return, LEPs will be expected to develop ambitious, multi-year Strategic Economic Plans. The aim is that a Local Enterprise Partnership's Strategic Economic Plan and its European Structural and Investment Funds Strategy will function as an integrated package. In support of this Derbyshire County Council (DCC) will be developing an Economic Plan for the county, which will be informed by an update of DCC's Local Economic Assessment. The timescales for completion of DCC's documents is spring 2014.

of ESF funds to be spent on social inclusion related activities. All projects accessing European funding will require match funding so only 50% of the total project costs will be paid by the European Growth Programme. Once D2N2 has identified and secured match funding, the total D2N2 programme will be therefore worth £427.6million.

It is expected that Local Enterprise Partnership Strategies will be agreed by the end of February 2014, with spending of funds likely to begin in mid-2014. Funding to LEPs will also include an element from the European Agricultural Fund for Rural Development, with the allocation for this being provided at a later date.

### Assisted Areas

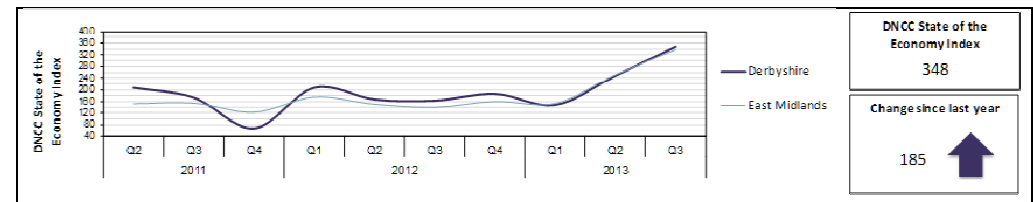
Under European Union (EU) legislation regional aid can be granted to businesses by member states within Assisted Areas. Regional aid aims to promote economic development in economically disadvantaged locations, encouraging businesses to grow, innovate and thrive. The current Assisted Area Map covers the period 2007-2013 and is currently being reviewed by Government. Consultation on the geographic coverage of the Assisted Areas for 2014-2020 is underway and is taking place in two stages.

Stage 1 took place in August/September 2013 and consulted with LEPs and key partners on the common principles for the drawing of the Assisted Areas Map for 2014-2020. It also gathered local feedback about potential economic opportunities where regional aid could be used to support disadvantaged economies. In stage 2 the Government will publish a draft Assisted Areas Map for consultation in the winter of 2013/14. Once agreed by the EU, the 2014-2020 Assisted Areas Map will come into effect in July 2014.

There are some key changes to the methodology for developing the Assisted Areas Map for the new period. These include;

- A reduction in the population covered by Assisted Areas.
- The fact that any wards that meet the relevant criteria can be put forward for inclusion not just the wards within the current Assisted Areas.

### Business Conditions



The further strengthening of the national economy during quarter 3 of 2013 again appears to have cascaded through to local businesses, who have recorded their strongest performance in two-and-a-half years according to the Derbyshire and Nottinghamshire Chamber of Commerce's (DNCC) most recent Quarterly Economic Survey<sup>7</sup>. There has been a significant rise in the confidence of Derbyshire businesses about both future profitability and turnover, encouraged by both increased domestic sales and also increased UK orders going forward into quarter 4. However, there has been a stagnation in export sales and orders compared with the previous quarter.

### Investment

The Derbyshire Economic Partnership received a total of 14 enquiries from firms seriously looking to invest in the county<sup>8</sup> between August and October 2013, down from the 17 enquiries received in the previous quarter. Investment and job creation in the county is important to Derbyshire's future economic growth. Businesses looking to locate in the county can access a range of support through the [Invest in Derbyshire](#) website, supported by D2N2 and UK Trade & Investment (UKTI).

### Job Losses and Gains

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

#### Job Losses

- Derbyshire County Council announced in August that budget cuts of £157 million over the next five years will lead to hundreds of job losses.

#### Job Gains

- Derbyshire Community Health Services NHS Trust launched a recruitment drive in August for more than 100 front-line health care workers.
- Tesco announced at the end of August that its distribution centre at Barlborough would no longer close in September, saving around 200 jobs.
- The opening of a Morrison's supermarket 'M Local shop' in Chesterfield at the beginning of September created 20 jobs.
- Derbyshire County Council announced in September recruitment of a further 35 young apprentices, taking its total to 165 apprentices in recent months.
- The opening of a 99p discount stores outlet at Ashbourne in October has created 30 jobs.
- In September, advanced composites firm EPM: Technology announced plans to build a new factory in Derby that will lead to the creation of 84 jobs over the coming years.
- Value department store 'The Range' announced that the opening of a new store at the Meteor Centre in Derby at the end of November will create 150 jobs.

### European Funding

#### European Structural and Investment Funds

The European Structural and Investment Funds aim to promote smart, sustainable and inclusive local economic growth. European funding plays an important role in driving enterprise, innovation, and entrepreneurship. It also helps to boost skill levels in local economies, promote social inclusion and combat poverty.

The new round begins in 2014 and runs through to 2020. This time, a large majority of the European Structural and Investment Funds have been allocated to Local Enterprise Partnerships (LEPs) through a new initiative called the European Growth Programme. The programme aims to provide a more efficient and streamlined way of devolving funds with allocations to be made to LEPs for the full duration of the programme.

Each LEP across England has been notified of its allocation and been asked to set out how it intends to use this by developing a European Structural and Investment Funds Strategy. D2N2, the LEP covering Derbyshire and Nottinghamshire, submitted its strategy in early October 2013 and has been allocated £213.8million. The LEP is proposing to split this allocation 50/50 between two funding streams, the European Regional Development Fund (ERDF), which aims to improve the competitiveness of areas and support economic and business growth, and the European Social Fund (ESF) which is focused on improving skills and the levels of employment as well as promoting social inclusion.

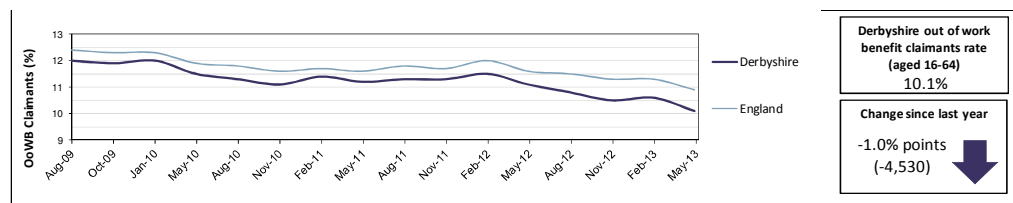
There are 10 overarching thematic objectives LEPs have to consider when developing their strategies including innovation, ICT, small and medium sized enterprise (SME) competitiveness, low carbon, climate change adaptation, environmental protection, sustainable transport, employment, social inclusion and skills. D2N2 plans to adopt a balanced approach, investing resources against all objectives. However, the main areas of ERDF investment will promote SME competitiveness and knowledge driven growth. ESF resources will largely be focused on supporting the skills required for a higher value economy but still enabling 20%



Since the early part of 2012, youth unemployment levels both locally and nationally have generally declined, particularly for the county, so that Derbyshire's youth unemployment rate (4.5%) is now only marginally higher than the national average (4.3%)<sup>13</sup>.

Over the last year, all districts have shown a decline in youth unemployment levels, but the greatest annual percentage decline is within Derbyshire Dales (-36.8%) and the lowest in Chesterfield (-12.9%).

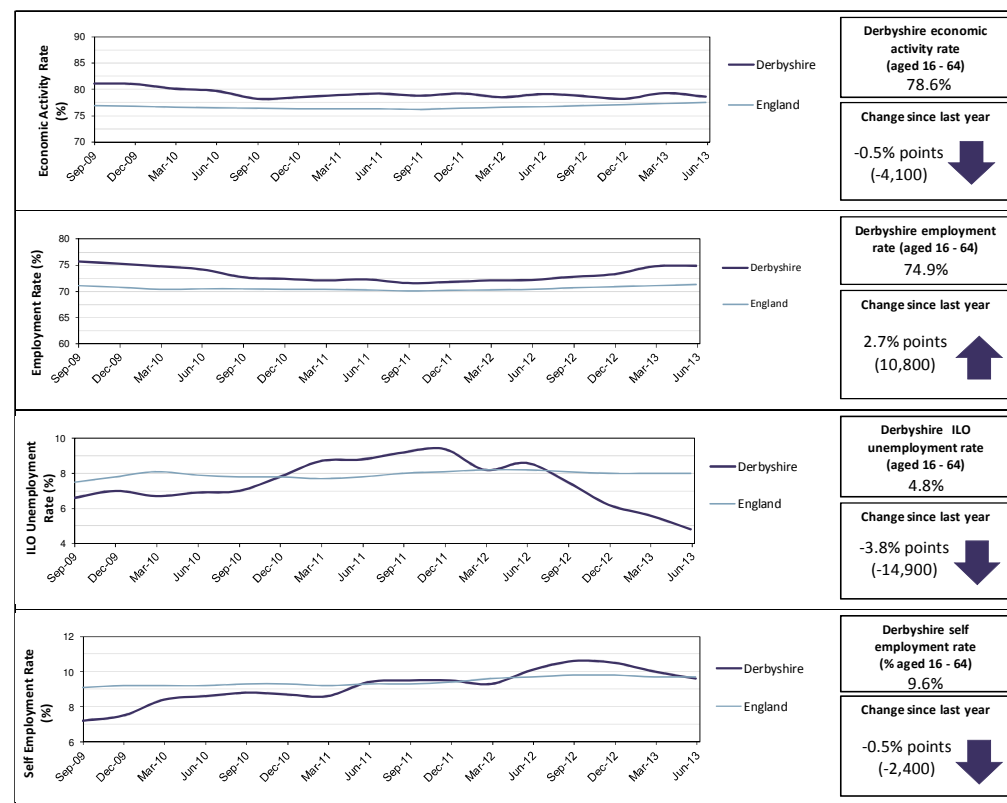
It would seem that the improving economic output nationally and locally is beginning to feed through to youth unemployment levels in the county. There is also significant on-going investment in apprenticeships by Derbyshire County Council and partners and this may also be a factor.



According to the latest data, 4,530 fewer Derbyshire residents (10.1%) are currently claiming an Out of Work Benefit (OoWB)<sup>14</sup>, a lower percentage than the England average of 10.9%<sup>15</sup>. Across Derbyshire the number of claimants varies considerably, in particular there are nine wards where more than 20% of the working-age population are claiming an OoWB. These include Gamesley in High Peak, Rother, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield, Ilkeston North in Erewash and Shirebrook North West in Bolsover. It is too early to tell if there has been an impact from the recent changes to the benefits system.

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

## Labour Market Participation



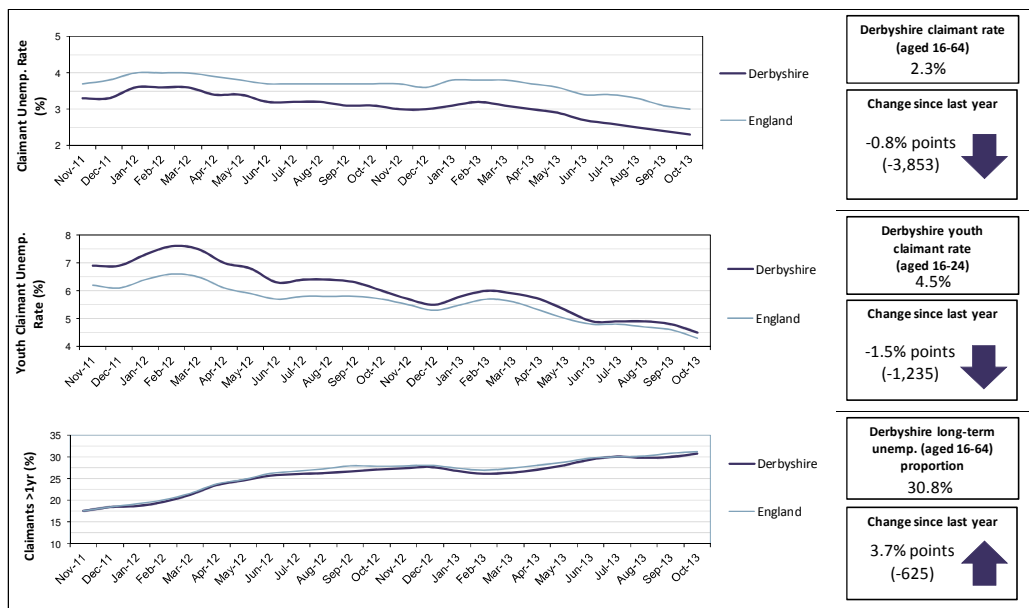
Source: Annual Population Survey, July 2012-June 2013, ONS (Nomis) © Crown Copyright.

The county has above average levels of labour market participation. The economic activity rate in Derbyshire is currently 78.6%<sup>9</sup>, higher than the national rate of 77.5%. The county's employment rate has increased and is also higher than the national average, at 74.9%<sup>10</sup>.

International Labour Organisation (ILO)<sup>11</sup> unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Job Seekers Allowance (JSA) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. It can therefore produce different levels and patterns of unemployment to the claimant count.

In June 2013, the ILO unemployment rate in Derbyshire stood at 4.8%, 3.2% points lower than the England rate. Locally there has been a sharp decline of -3.8% points in the rate over the last year, compared to a slight decrease nationally of -0.2%.

Over the last 12 months self employment levels have fallen, with the number of working-age self employed in Derbyshire decreasing by 2,400 (-0.5% points)<sup>13</sup> to stand at 9.6%, slightly lower than the level of 9.7% for England.



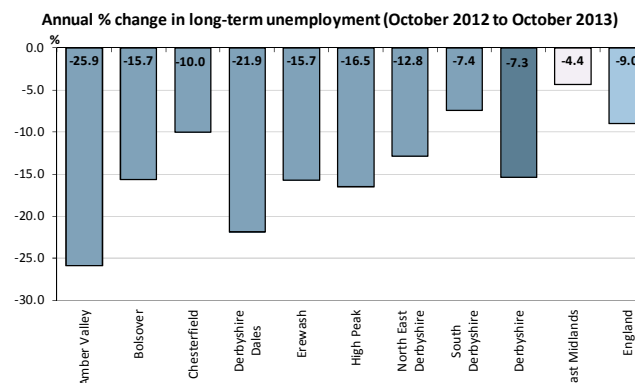
Source: Claimant Count, October 2013, ONS (Nomis) © Crown Copyright.

The overall claimant count unemployment rate is based on a count of all people claiming JSA. In Derbyshire the rate is currently 2.3%, lower than the England rate of 3.0%<sup>12</sup>. Since the early part of 2012, claimant count unemployment has been generally decreasing, with the level of decline greater in Derbyshire than nationally. However, hotspots exist across the county where unemployment levels are particularly high, including the wards of Gamesley and Barms in High Peak, Rother in Chesterfield, and Ilkeston North, Ilkeston Central and Cotmanhay in Erewash.

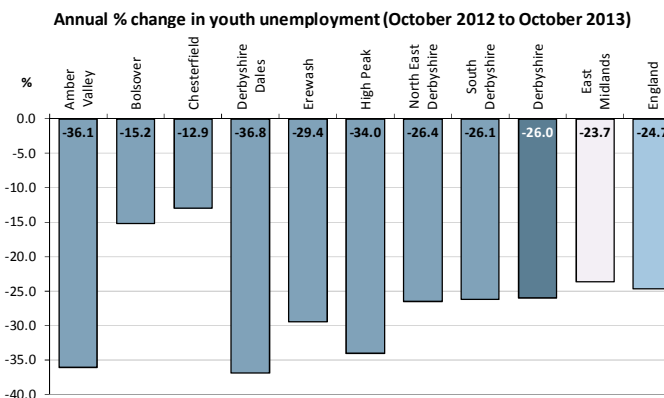
Almost a third of the county's unemployment claimants have been out of work for

more than a year, a higher proportion than this time last year (27.1%). Following a slight dip in early 2013, the proportion of long-term unemployment is again on the increase although the number of people long-term unemployed is decreasing.

Analysis of long-term unemployment by district can highlight which areas are contributing to the changes at the county level. All districts have shown a decrease in the number of people long-term unemployed over the last year. The greatest annual percentage decline is shown by Amber Valley (-25.9%) and the lowest by Chesterfield (-10.0%).



Source: Claimant Count, October 2013, ONS (Nomis) © Crown Copyright.



Source: Claimant Count, October 2013, ONS (Nomis) © Crown Copyright.

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