

DERBYSHIRE COUNTY COUNCIL

CABINET

4 April 2017

REPORT OF THE CHIEF EXECUTIVE

**DERBYSHIRE ECONOMIC REVIEW – MARCH 2017
(Strategic Policy, Economic Development and Budget)**

1. Purpose of the Report

To present the latest Quarterly Economic Review – March 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:

- Quarter four of 2016 has seen a rise in the level of economic growth for Derbyshire. This is the second consecutive quarter of growth with the county's level of performance once again almost matching the East Midlands Chamber of Commerce (EMCC) area (Derbyshire, Leicestershire and Nottinghamshire). Despite uncertainty about how firms would fare following the Brexit vote, Derbyshire's businesses appear to be doing well.
- The rise in the level of economic growth has been driven by a rise in both export sales and future overseas orders. The weakening pound since the Referendum is making goods and services more attractive to overseas buyers, particularly for manufacturing, an important sector for the county. Firms are also positive about future orders in UK markets. However, there is also uncertainty for businesses,

particularly around prices. Over half of the county's firms said they expected to put up prices shortly. Manufacturers, in particular, have been affected by rising costs in raw material imports particularly those that, for example, have to purchase steel in US dollars. This may be why there has been a slight dip in the number of firms locally looking to expand their workforce in the next quarter. The planned increase in training investment may reflect continued struggles to recruit externally for some positions.

- The overall claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work Universal Credit claimants, stands at 1.2%, below the 1.8% for England. Following a prolonged period of decline, the rate in the county has been relatively stable since the start of 2016. However, hotspots remain in Derbyshire where the rate is at or above 3%. There are five wards where this is the case. These are Rother, St Helens, and Loundsley Green in Chesterfield; and Ilkeston North and Ilkeston Central in Erewash.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.1% (1,250 residents). Encouragingly the proportion in the county has dipped this month following a year of steady increase. This has seen the gap with the national picture narrow slightly to 1.3% points.
- The youth unemployment rate in Derbyshire stood at 1.9% in January 2017, just below the figure for England. The youth rate has been very stable over the last year hovering around the 2% mark, following the post-recession fall. However, the proportion of young people who have been out of work more than a year is relatively high at 26.4% (140 young people). This is some 6.7% points higher than the England average, although the proportion locally has dropped slightly over the last three months closing the gap with England.
- The proportion of working age residents claiming an Out-of-Work Benefit (OoWB) has been falling steadily for more than six years. In August 2016, the proportion of the county's residents claiming an OoWB was 8.3%, the joint 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 Loundsley Green in Chesterfield and Shirebrook North West in Bolsover.
- There has been mixed news on jobs this quarter. On the positive side, 2 Sisters food group has re-opened the former S&A Foods site in Derby resulting in 500 jobs. Instead Senior Care, of Swadlincote has made 50 care worker training places available, and also in the social care sector, 40 new jobs have been created by care home operator Folcarn with the opening of its second property in Mickleover. Additionally, Belper based Chevin Fleet Solutions is to take on 15 staff to help in the global expansion of its fleet management systems. However, Alliance Healthcare said that it is to cut up to 300 jobs at its South Normanton site. Tesco has also announced the closure of its distribution site at Barlborough, resulting in the loss of 207 jobs. Honeywell Process Solutions revealed that 66 jobs would also be lost when the Holmewood based company closes.
- The economic activity rate in Derbyshire has remained high this quarter, standing at 80.9%. With economic activity in England unchanged at 78.1% the gap is once

again just under 3.0%. There are nearly 380,000 employees in the county, and although the employment rate locally has dipped very marginally from 78.7% to 78.5% this quarter it is still over 4% higher than that for England. Bolsover and particularly Erewash have seen the strongest employment growth over the last year. Additionally, the level of self-employment in Derbyshire has increased for the fourth quarter in succession to stand at 8.7%, closing the gap with England. Chesterfield and North East Derbyshire have seen the greatest growth in self-employment over the last year.

- In November 2016 the average price of a house was £163,583 in Derbyshire. The steady growth in house prices has continued, with house price growth locally being 4.8% over the last year. However, this is behind the growth seen nationally and means that prices in the county remain over 30% behind figures for England. Encouragingly, however, house prices in Derbyshire are now more than 10% above their peak before the 2008/09 recession.

‘In focus’ topic – ‘The Housing Market in Derbyshire’

The Government has recently outlined that housing is one of the key challenges facing the country with insufficient supply to meet current and future demand. A fully functioning housing market, where individuals can access property of a size that meets their needs, in the area where they want to live, at a price they can afford is fundamental to health and social well-being and a thriving economy. Since the early 90’s the population in Derbyshire has grown by approximately 10%, which has placed an increased demand on housing. The upward pressure on demand for housing is set against a long-term decline in the number of new dwellings being built. However, there has been a resurgence over the last couple of years and in the county the level of new building has risen by more than a third in each of the last two years. The stock of dwellings now stands at 353,060 in the county.

Although household growth locally is set to continue, rising by 7.0% over the next decade, it is thought that there is sufficient planned housing to meet demand over the next few years. It is estimated that whilst 23,800 new dwellings will be required across the county over the coming five years, this is exceeded by the number of planned new houses, at around 24,700.

However, there are challenges locally, with shortfalls likely in some parts of the county. The viability of sites for developers is a barrier to new housing developments, with some developers slow to complete sites to limit supply and keep prices higher. Land banking is also another barrier where developers buy land that they intend to build houses on but hold onto it before submitting a planning application, to try to secure higher prices for housing development.

Additionally, rising prices have made affordability an issue for many. In Derbyshire Dales, the average price of a house is 9.3 times the earnings of a resident, one of the highest in the East Midlands. Of the 2,800 new dwellings built in the county in 2015-16, only 470 were affordable housing. More people are being forced to rent, putting pressure on housing waiting lists. There are around 15,000 Derbyshire

households on social housing waiting lists currently and more people are looking to the private rented sector, where costs can be high. The number of people without a home is increasing, with nearly 500 households identified as being homeless locally.

Recent policy announcements by Government have indicated a shift away from boosting home ownership to solve the housing crisis by building more homes, including those for rent. A number of national policies aim to contribute to this including the Community Housing Fund through which the East Midlands is to receive £2.7mn to help the delivery of affordable housing. Derbyshire is also to be one of the locations for one of the 14 planned garden villages recently announced by the Government, which will include up to 1,900 homes in South Derbyshire. Additionally the Council has set up a private development company which is to utilize Derbyshire County Council land to help provide homes and generate income for council services. Land in Duffield and Danesmoor has been identified as the first for development by Derbyshire Developments Limited. Also, one of the outcomes from the emerging One Public Estate (OPE) initiative in Derbyshire will be the release of land currently owned by the public sector locally, some of which could be utilised for housing development.

3. Equality and Diversity Considerations

Despite economic growth for the county having improved over the last two quarters, and with levels of employment high, there remain individuals who are disengaged from the labour market. There are 1,250 residents in Derbyshire who are long-term unemployed, representing 32.1% of all unemployed claimants, and including 140 young people who are out of work long-term. Youth unemployment continues to be an issue in a core of areas in the county, including Rother and Ilkeston North, where around 6% young people are out of work.

Connecting unemployed residents in Derbyshire with job opportunities remains vital despite the overall improving economic climate. Two European Social Fund programmes are being delivered in the county which aim to support this. These are the Youth Engagement project which aims to equip young people at risk of being NEET, or of dropping out of training, with skills, and also Employ Local which aims to partner recruiting firms with unemployed residents.

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 – March 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 - March 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 future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: ‘The Housing Market in Derbyshire’.

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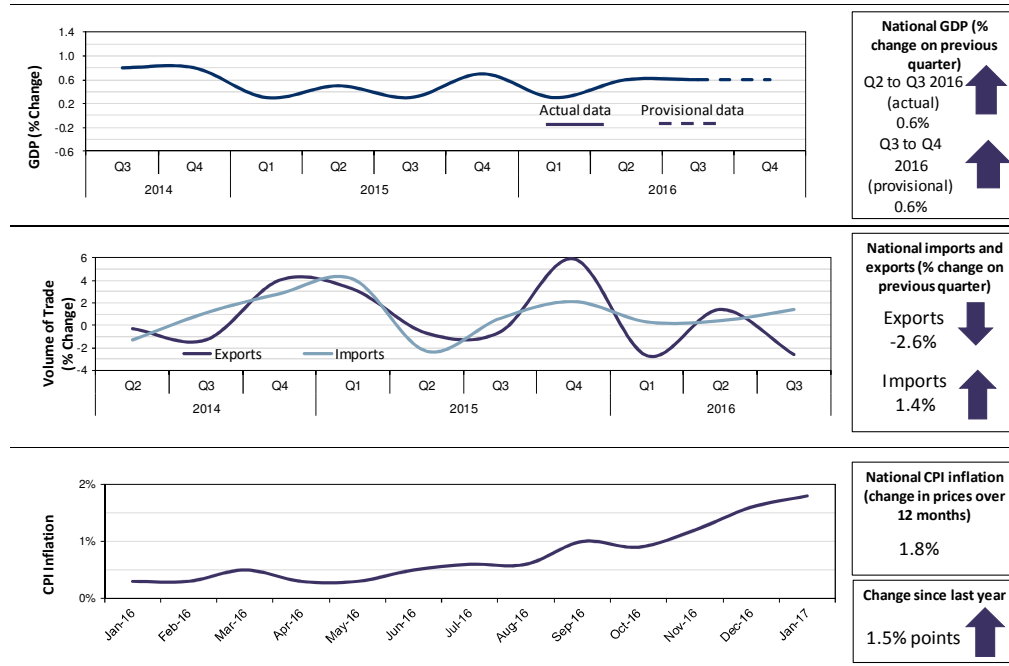
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Overview

- The UK economy expanded by 0.6% in the fourth quarter of 2016, greater than the 0.5% expected, with strong consumer spending a factor. This brings GDP growth for the whole of 2016 to 2%. Although the EU Referendum to date has had little impact on growth, it is thought that the Brexit negotiations and rising inflation will dampen growth over the next couple of years.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 1.8% for the 12 months to January 2017, the highest it has been since June 2014. The continued weakening of the pound since the Referendum is predicted to push inflation up a further 1% over the next year.
- Quarter four of 2016 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 second consecutive quarter of growth with the county's level of performance once again almost matching the region's. Despite uncertainty following the Brexit vote about how firms would fare, Derbyshire's businesses appear to be doing well.
- The employment rate locally has dipped marginally from 78.7% to 78.5% but is still over 4% higher than that for England.
- The overall claimant unemployment rate in Derbyshire stands at 1.2%, below the 1.8% for England. However, hotspots remain in Derbyshire where the rate is at or above 3%. There are five wards where this is the case. These are Rother, St Helens, and Loundsley Green in Chesterfield; and Ilkeston North and Ilkeston Central in Erewash.
- 32.1% of Jobseeker's Allowance claimants in the county have been out of work for more than a year. This is above the national average of 30.8% but is a decrease on the previous month.
- The youth unemployment rate has been virtually unchanged since the early part of the year, and stands at 1.9%, similar to that nationally (2.0%). The number of wards where the youth rate is more than double the national rate has remained at seven this quarter with the highest rates being in Rother (6.1%), Ilkeston North (5.8%) and Kirk Hallam (5.2%).
- The average house price in Derbyshire is £163,583, an annual increase of 4.8%. Although prices locally are rising, the rate of growth has slowed over recent months, as it has nationally. There remains a difference of 30% between local and national house prices.

National Economic Context

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP) is estimated to have increased by 0.6% in the fourth quarter of 2016, a faster rate of growth than the 0.5% that was expected², with strong consumer spending helping. Three of the four major sectors grew, with the service sector showing the strongest growth (0.8%). Agriculture (0.4%) and construction (0.1%) also saw positive results, whereas production saw no change³.

Annual GDP growth was 2.0% for 2016. This is the seventh consecutive year the UK economy has grown, although it is lower than in the last two years. All four main sectors other than agriculture grew during 2016. Significantly for Derbyshire, the manufacturing element of the production sector has returned to positive growth during 2016. However, the UK economy is forecast to slow over the next couple of years, with rising inflation likely to be an issue for consumers and uncertainly over the Brexit negotiations dampening businesses investments. At a recent meeting a local supplier of energy efficiency systems felt that businesses were delaying 'big ticket' investment until the Brexit position becomes clearer.

National Economic Context

The interplay between imports and exports and their impact on the trade balance is in the spotlight following the Referendum, with 47% of UK exports going to EU countries. Quarter 3 saw an increase in the trade deficit from -£11.0bn to -£16.7bn, with exports falling by 2.6% and imports increasing by 1.4%³. However, exports of goods to the EU have risen faster in the most recent quarters compared with exports to non-EU economies, with the beneficial exchange rate a possible factor in this.

The annual CPI inflation rate currently stands at 1.8% for the 12 months to January 2017⁴, an increase on the figure of 1.6% for December 2016. The inflation rate has been rising steadily since the summer of 2016, and the current rate is the highest since June 2014 and 1.5% higher than a year ago. The main contributors to the increase in the rate are rising prices for motor fuels and to a lesser extent food prices. The value of sterling is 18% below its peak in November 2015 and this weaker position has pushed up import prices. The Bank of England (BoE) feels that this will continue to put pressure on prices and predicts that inflation will rise a further 1% over the next year. This is likely to dampen household real income growth and slow consumer spending.

The BoE's Monetary Policy Committee voted unanimously to leave the interest rate at 0.25% in February 2017⁵. The BoE has had to assess whether the likelihood of upward pressure on inflation, through the continued weakness of sterling post Referendum outweighs the potential risk to employment growth that could arise from any increase in the interest rate. The BoE decided that although the economy has held up better than expected since the vote, household wage growth only remains modest and now would not be the right time to raise the interest rate. However, with firmer global activity and stronger than anticipated domestic consumer spending, the Committee has increased its expectation for economic growth in 2017 to 2.0%. The BoE highlighted the following national trends as at February 2017⁶:

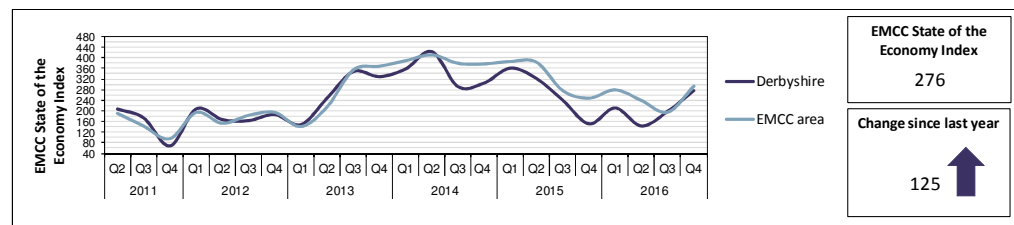
- Consumer spending has remained resilient.
- Business services growth has seen little change, remaining moderate.
- Manufacturing output for domestic markets was unchanged at modest rates.
- Investment spending has edged up, pointing to a small rise in spending in 2017.
- Credit demand for finance was muted.
- Investor demand for UK commercial real estate has risen from a low level.
- Private sector employment is showing little change.

More information can be found at:

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

Local Economic Context

Business Conditions



Quarter four of 2016 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 Survey⁷. This is the second consecutive quarter of growth with the county's level of performance once again almost matching the region's. Despite uncertainty following the Brexit vote about how firms would fare, Derbyshire's businesses appear to be doing well.

The improvement has been driven by a rise in both export sales and future overseas orders. The weakening pound since the Referendum is making goods and services more attractive to overseas buyers, particularly so for manufacturing, an important sector for the county. Firms are also positive about future orders in UK markets. However, there is also uncertainty for businesses, particularly around prices. Over half of the county's firms said they expected to put up prices shortly. Manufacturers, in particular, have been affected by rising costs in raw material imports particularly those that, for example, have to purchase steel in US dollars. This may be why there has been a slight dip in the number of firms locally looking to expand their workforce in the next quarter. The planned increase in training investment may reflect continued struggles to recruit externally for some positions.

Investment

Eight enquiries were received between November and January by the Derbyshire Economic Partnership from firms seriously looking to invest in the county⁸. This brings the total for 2016/17 to 25, lower than the 37 in 2015/16, reflecting the current uncertain climate for businesses. The Bank of England feels that this can make it hard for firms to know if they should make big spending decisions. Locally, the latest East Midlands Chamber's Quarterly Economic Survey shows that there has been a steady increase in those looking to invest in new machinery or equipment. However, investment of this nature is not necessarily for large scale items.

Local Economic Context

Over the past quarter at Markham Vale, Great Bear Ltd have completed their 420,000 sq. ft. distribution centre and have started recruiting 400 employees. The £7.6m Seymour Link Road has been completed enabling 70 acres of fully serviced development land on Markham Vale North to be brought forward including an advanced logistics centre for German car parts company, Ferdinand Bilstein Ltd. This will create an initial 150 jobs during 2017 with plans to create a further 250 jobs over the coming years. Legal agreements have also been completed with Great Bear for their second 480,000 sq.ft logistics centre. Discussions are also progressing with a number of businesses considering Markham Vale for their growth requirements, including 40,000 and 58,000 sq. ft. manufacturing units, and a 91,000 food distribution warehouse.

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 November 2016 and January 2017.

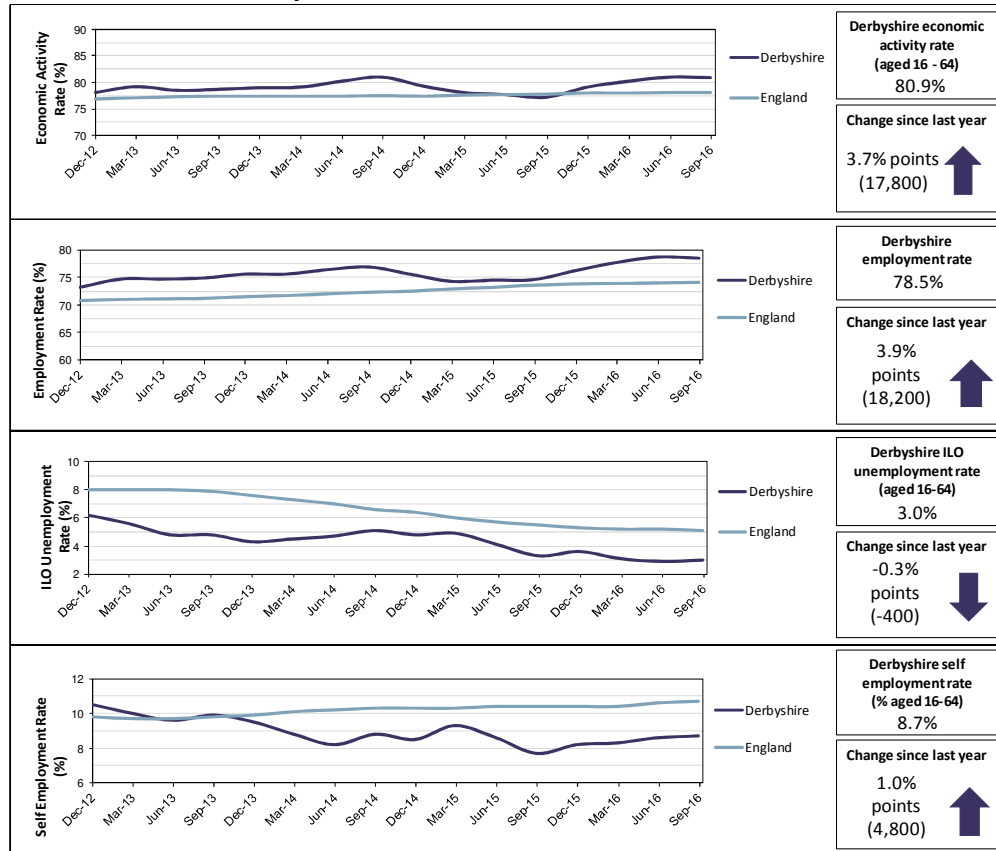
Job Losses

- In January, Alliance Healthcare said that it is going to cut up to 300 jobs at its South Normanton site.
- At the beginning of January 2017, Tesco announced the closure of its distribution site at Barlborough, resulting in the loss of 207 jobs.
- Also, in the same month Honeywell Process Solutions revealed that 66 jobs will be lost when the Holmewood based company closes.

Job Gains

- At the beginning of January, 2 Sisters food group disclosed that its acquisition and re-opening of the former S&A Foods site in Derby had resulted in 500 jobs.
- Instead Senior Care, of Swadlincote, announced at the end of November that it has made 50 care worker training places available.
- Derby JobCentre Plus announced in January 2017 that it is working with Ted Baker to fill 40 vacancies at its distribution site in Derby, and is also in discussions with supermarket chain Aldi about supplying workers for a new distribution centre at Sawley, which, once completed, is expected to create up to 1,000 jobs.
- 40 new jobs have been created by care home operator Folcarn with the opening of its second property in Mickleover in November 2016.
- At the end of December 2016, Belper based Chevin Fleet Solutions revealed that 15 staff will be recruited to help in the global expansion of its fleet management systems.

Labour Market Participation



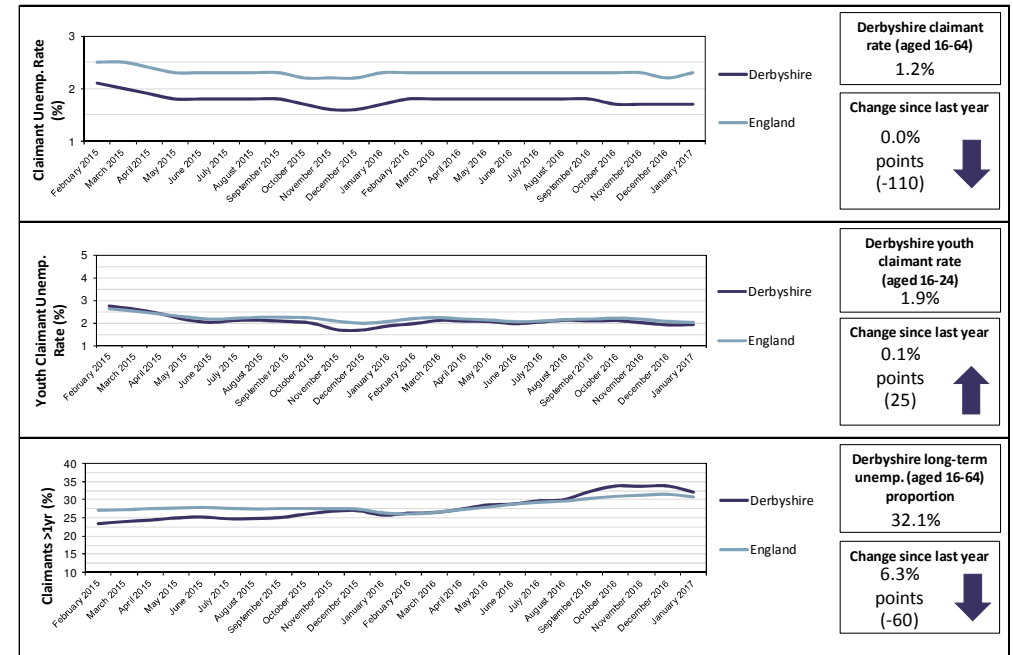
Source: Annual Population Survey, October 2015-September 2016, ONS (Nomis) © Crown Copyright.

The economic activity rate⁹ in Derbyshire has remained high this quarter, standing at 80.9%. With economic activity in England unchanged at 78.1% the gap is once again around 3.0%. The employment rate¹⁰ locally has dipped marginally from 78.7% to 78.5% but is still over 4% higher than that for England. Bolsover and Erewash have seen the strongest employment growth over the last year.

International Labour Organisation (ILO)¹¹ 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 (JSA) or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

Derbyshire Observatory More information about Derbyshire can be found on the Derbyshire Observatory <https://observatory.derbyshire.gov.uk>

ILO unemployment in the county stands at 3.0%, lower than the England rate of 5.1%. Unemployment has now been on a general downward path since 2011. Additionally, the level of self-employment in Derbyshire has increased for the fourth quarter in succession to stand at 8.7%, closing the gap with England. Chesterfield and North East Derbyshire have seen the greatest growth in self-employment over the last year.

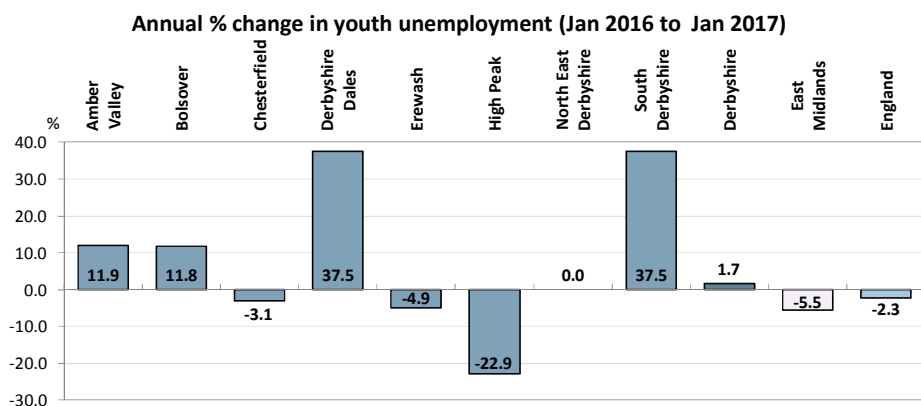
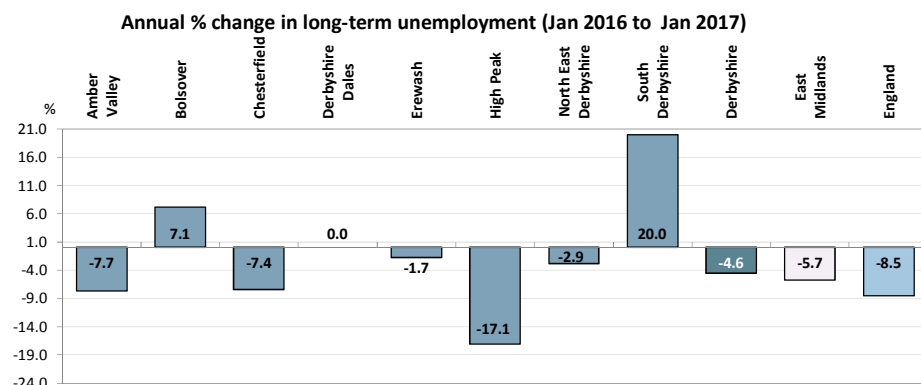


The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work UC claimants, is currently 1.2%, lower than the England rate of 1.8%¹². Following a prolonged period of decline, the rate in the county has been relatively stable since the start of 2016. However, hotspots remain in Derbyshire where the rate is at or above 3%. There are five wards where this is the case. These are Rother, St Helens, and Loundsley Green in Chesterfield; and Ilkeston North and Ilkeston Central in Erewash.

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.1% (1,250 residents). Encouragingly the proportion

Labour Market

of claimants who have been out of work for more than a year in the county has dipped this month following a year of steady increase. This has seen the gap with the national picture narrow slightly to 1.3% points. When unemployment rates are as low as they are currently, those who have been out of work the longest can struggle the most to secure employment so it is positive that the long-term level has dropped, albeit for a short period of time. Bolsover and South Derbyshire have shown increases in the number of people who have been unemployed for over a year in the last 12 months. The other six districts have shown a decline, the greatest being shown by High Peak.



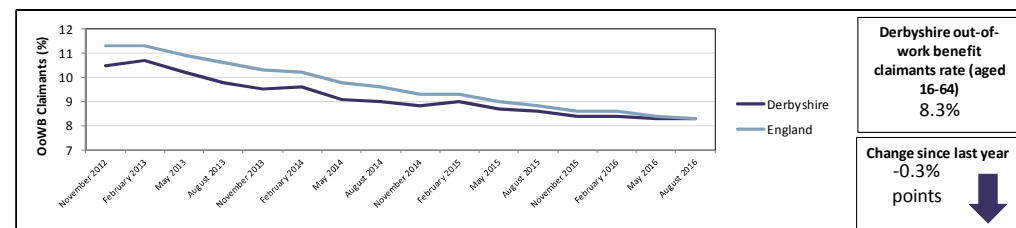
Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

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

Labour Market

The youth unemployment rate¹³ in Derbyshire stood at 1.9% in January 2017, just below the figure for England. The rate has been stable over the last year hovering around the 2% mark, following the post-recession fall. Across the county there is a mixed picture. Four districts have shown an increase in youth unemployment over the last year, the greatest shown by Derbyshire Dales and South Derbyshire, both with 37.5% rises. Increases are also seen in Amber Valley and Bolsover. Three of the other four districts show a decline, High Peak showing the largest (22.9%). There was no change in youth unemployment levels in North East Derbyshire.

The proportion of young people who have been out of work more than a year is relatively high at 26.4% (140 young people). This is some 6.7% points higher than the England average, with particularly high levels shown in Bolsover (35.7%). Despite this the proportion of young people who are long-term unemployed in the county has dropped slightly over the last three months closing the gap with England. Connecting unemployed residents in Derbyshire with job opportunities remains vital despite the overall improving economic climate. Two European Social Fund programmes are being delivered in the county which aim to support this. These are the Youth Engagement project which aims to equip young people at risk of being NEET, or of dropping out of training, with skills, and also Employ Local which aims to partner recruiting firms with unemployed residents.



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

The proportion of working age residents claiming an Out-of-Work Benefit (OoWB)¹⁴ has been falling steadily for more than six years. In August 2016, the proportion of the county's residents claiming an OoWB was 8.3%¹⁵, the equal 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 Loundsley Green in Chesterfield and Shirebrook North West in Bolsover. The improving economic picture is a significant factor in the continuing fall. The ongoing change to the benefits system, with the reduction in the overall benefit budget, is also a factor.

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

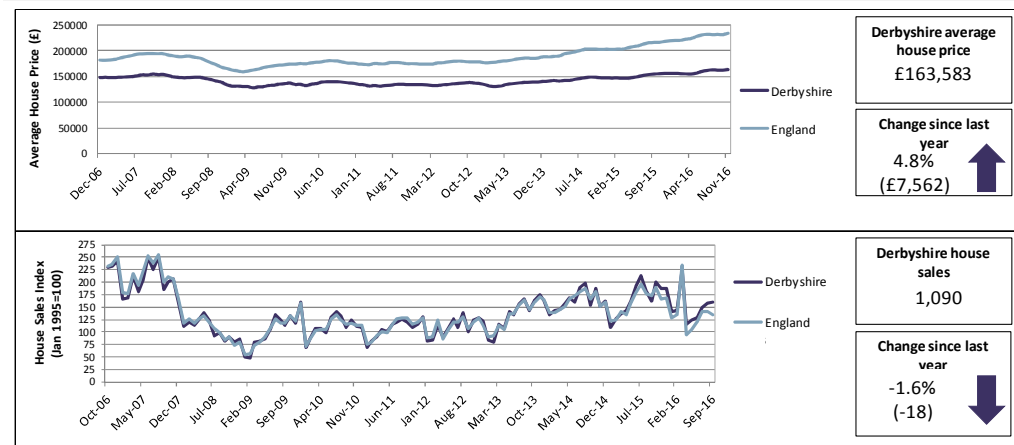
Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (August 2016 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	54,590	11.3	10.9	-1,830	-3.2	↓
Out-of-Work Benefit Claimants	40,110	8.3	8.3	-1,400	-3.4	↓
Employment Support Allowance (ESA)	30,050	6.2	5.6	1,400	4.9	↑
- Long term claimants (1yr or more)	24,380	81.1	79.4	2,440	11.1	↑
- 18 to 24 year old claimants	2,550	8.5	7.7	50	2.0	↑
Lone Parent Income Support (LPIS)	4,290	0.9	1.0	-140	-3.2	↓
- 18 to 24 year old claimants	1,140	26.6	24.5	-170	-13.0	↓
Personal Independence Payments (PIP)	14,035	2.9	2.5	6,262	80.6	↑
						↑
Universal Credit (UC)	3416	0.7	1.1	2,152	170.3	
JSA sanctions	119	Numbers too small		-81	-40.5	↓
Household benefits (November 2016)						
Housing Benefit claimants	47,210	13.9	17.1	-1,400	-2.9	↓
Households affected by removal of Spare Room Subsidy	4,875	10.3	8.1	-232	-4.5	↓
- 1 Bedroom	4,053	83.1	83.1	-197	-4.6	↓
- 2 or more bedrooms	822	16.9	16.9	-35	-4.1	↓
Benefit Cap	219	Numbers too small		109	99.1	↑

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

Notes: * PIP October 2016, UC January 2017 and JSA sanctions September 2016

11.3% of Derbyshire's residents are claiming benefits, including 6.2% ESA and 0.9% LPIS, similar to England's. There remains a lower proportion of households claiming housing benefit (13.9%) than England (17.1%) but a higher proportion of claimants have been affected by removal of the spare room subsidy¹⁶. 2.6% of residents are claiming a PIP. This figure is 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 2,500 over the last year as claimants are transferred across. 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 an increase in the number of households affected by the benefit cap. It will be important to monitor this in the light of the lowering of the cap at the end of 2016. A number of benefits have also seen a fall with the greatest decline (-40.5%) being for people who have had their benefit stopped or reduced through sanctions.



Source: UK House Price Index, ONS and Land Registry, November 2016, © Crown Copyright

In November 2016 the average price of a house was £163,583 in Derbyshire. The steady growth in house prices has continued, with house price growth locally being 4.8% over the last year. However, this is behind the growth seen nationally and means that prices in the county remain over 30% behind the figures for England. Encouragingly, though, house prices in Derbyshire are now more than 10% above their peak before the 2008/09 recession. However, in Bolsover, which has the lowest average house price locally at less than £115,000, house prices have yet to recover and are 1.2% below their pre-downturn peak. This can be a barrier to people in the area moving house. Derbyshire Dales continues to have the highest house prices in the county, at nearly £243,000. High Peak has seen the greatest increase over the past year, with prices rising 8.7%.

Although house prices are continuing to grow, the rate of annual price growth across England has slowed since the Summer, with London seeing the greatest slowing over recent months. The Royal Institution of Chartered Surveyors has suggested that house price growth will continue to weaken in 2017, with household budgets coming under pressure from higher consumer inflation at a time of weaker jobs and wage growth. Research by Countrywide shows that the number of homes sold in the UK for more than the asking price has fallen in the last year, with the figure of 29.8% in March 2016 dropping to 23.1% in November 2016. Falling demand from new buyers is a key factor, with the number of house sales nationally reducing by over 20% in the last year compared to 2% in Derbyshire.

The Housing Market in Derbyshire

The Government has recently outlined that housing is one of the key challenges facing the country with insufficient supply to meet current and future demand. A fully functioning housing market, where individuals can access property of a size that meets their needs, in the area where they want to live, at a price they can afford is fundamental to health and social well-being and a thriving economy. This spotlight highlights some of the key trends and policies linked to the national housing market and sets out the Derbyshire perspective.

Housing Supply and Demand

It is widely recognised that the national housing market is not working for large numbers of individuals and is also hampering economic growth. Since the early 90's the population has grown around 15% nationally and 10% in Derbyshire, which has placed an increased demand on housing¹⁷. The rise in the number of people living on their own has also had an impact. In 2015 28.6% of all households in the UK were occupied by people living alone¹⁸.

The upward pressure on demand for housing is set against a long-term decline in the number of new dwellings being built. However, there has been a resurgence over the last couple of years across the country. In Derbyshire the level of new building has picked up considerably, rising by more than a third in each of the last two years¹⁸. The stock of dwellings now stands at 353,060 in the county. Since 2001 the rate of growth in dwellings has been around 10% in Derbyshire, on a par with England, although South Derbyshire has seen the fastest rate of growth (24.5%) outside the South-East¹⁹.

The causes of the current housing position are multi-faceted, however there is acknowledgment that at the national level there is a shortage of new homes being built every year. Although 190,000²⁰ new homes were built across England in 2015/16 it is significantly short of the 220,000 to 250,000 estimated that are needed. In Derbyshire the situation is slightly different. Although household growth locally is set to continue, rising by 7.0% over the next decade with South Derbyshire again leading the way (12.5%)²¹, it is thought that there is sufficient planned housing to meet demand over the next few years. It is estimated that whilst 23,800 new dwellings will be required in the county over the coming five years²² this is exceeded by the number of planned new houses, at around 24,700. Although there is no shortfall in the number of new builds required at the Derbyshire level, there are shortfalls likely in some parts of the county.

House prices and affordability

House prices are the key measure characterising how well the housing market is performing, reflecting the interplay between supply and demand. UK house prices have been rising for a while now and passed their pre-recession peak in September 2015²³, although the rate of growth is forecast to slow during 2017. This reflects the increase in stamp duty that came in during 2016 and uncertainty surrounding Brexit. Within Derbyshire, the greatest growth since the recession has been in Amber Valley and South Derbyshire. The map opposite shows the pattern of house prices across the county²⁴.

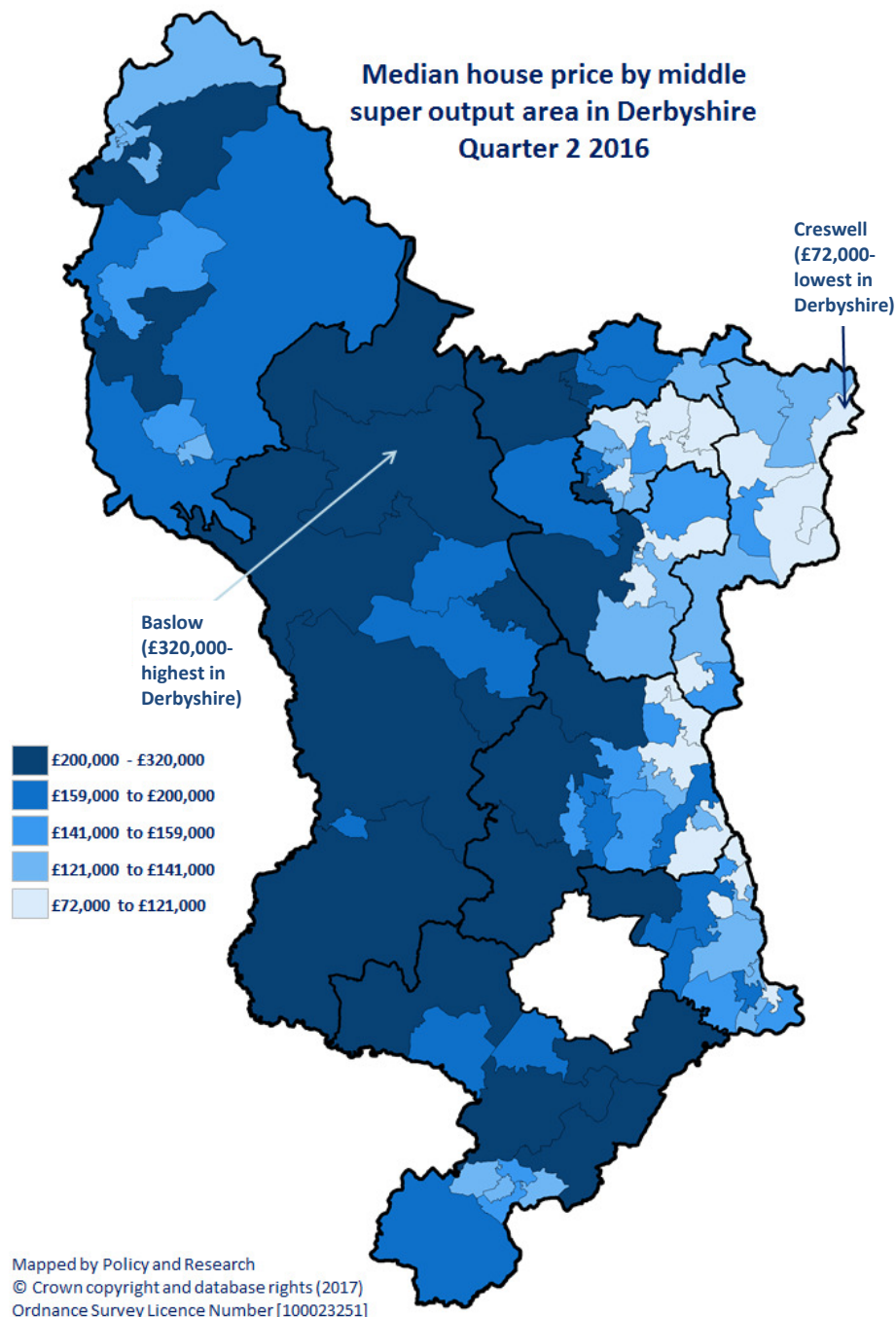
In addition to the under-supply of homes in some areas, rising prices have made affordability an issue for many. Nationally the ratio of house prices to earnings has increased over the last couple of years and in 2015 average house prices were nearly eight times greater than earnings. This is making home ownership difficult for many young people, with 25 year olds 50% less likely to own their own homes than 20 years ago. The gap in affordability between the best and worst local authorities in the country has also been rising for a number of years. Affordability varies within the county from 9.3 times the earnings of a resident in Derbyshire Dales, one of the highest in the East Midlands, down to 5.3 in Bolsover²⁵.

Despite the increase in new houses built across England, the number of new affordable homes delivered nationally is the lowest in 24 years. This is partly reflective of 2015 being the first year of a new housebuilding cycle, but also the more challenging environment for providers of affordable housing. Out of the 2,800 new dwellings built in the county in 2015-16, only 470 (16.9%) were classed as affordable housing²⁶. With increased supply potentially taking many decades to significantly improve affordability, the need for more affordable housing is greater than ever.

Home ownership, social and private renting

Although home ownership remains a long-term aspiration for many, levels of home ownership have been declining since the early 2000s, with 71% of dwellings in Derbyshire being owner occupied in 2011, down from 74.4% in 2001²⁷. Falling wage growth compared with house price growth and the high cost of the deposit required have become increasing barriers to people owning their own home. These trends have seen increasing numbers of people forced to rent.

The rental market is now roughly split between social renting and private renting, however recent years have also seen a fall in the level of social renting, from local



authorities or registered providers. One of the key factors in this has been Right to Buy policies, which have been in place since the 1970s, giving social housing tenants the opportunity to buy their homes at discounted rates. The availability of land and also constraints on local authorities in how they can spend money generated by stock sold have also been factors.

Social housing waiting lists show that there is significant demand in some parts of the county, with nearly 15,000 Derbyshire households on housing waiting lists in 2015²⁸. In High Peak, the number of households on the waiting list is 71.6% of the total number of social houses²⁹. This is the 20th highest proportion of all 326 authorities in England. However, in Chesterfield the figure is much more manageable, down at around 10%.

The fall in the number of social houses available has resulted in an increase in households looking to the private rented sector. Private tenants are now spending a significant amount of their monthly income on paying rent, for example over a third in Derbyshire Dales³⁰. Affordability is also an issue in the social rented sector. Over the last ten years social renting affordability for the lowest paid has worsened in Derbyshire. The low mortgage rate environment means that, although home owners face a high deposit, households with a mortgage spend a lower proportion of their income on housing than those renting from a landlord, particularly those renting privately.

Homelessness

The number of people without a home is increasing, with rising rents in the private sector, a shortage of properties in the social rented sector, and the welfare reforms of recent years being factors. Following a fall in levels of homelessness during much of the 2000's, the numbers have been rising since the turn of the decade. In 2015/16 there were nearly 500 households identified as being homeless by local authorities in Derbyshire (1.4 per 1,000 households)³¹. Although the rate is only around half of the England level, it is an increase of 28.6% on the 2009-10 figure. It is also underestimates the true level of homelessness, which is thought to be currently around 2,400 households in Derbyshire. Additionally, 'concealed households', such as a young couple living with parents have been rising long-term.

Housing growth in Derbyshire

District councils are required to set out in Local Plans how they will meet the delivery of targets in Strategic Housing Market Assessments.

Within Local Plans, districts set out where and how much housing growth there will be. Any increase in housing will mean an increased demand for services, as well as the need for the development of transport links, which councils must plan for. An underlying theme across most districts locally is to direct growth to the more sustainable settlements, which have a good range of services, facilities and job opportunities and are better placed to serve an increase in the population. Sustainable urban extensions are being planned in most district council areas of the County as an effective means of meeting housing land supply. Large scale sustainable urban extensions are planned in a number of districts, which have the benefit of providing a critical mass of development to support a range of new services and facilities on site, such as new schools and shops. Many of the extensions are planned on greenfield land. However, Local Plans stress how councils desire to protect the Green Belt as far as possible. The table on the next page outlines some of the proposals for housing development across the county.

In Focus

District	Housing target	Time period	Proposed housing developments
Amber Valley	9,800	2011-2028	Areas of focus are Alfreton, Belper, Heanor and Ripley, with some on the edge of Derby. Specific proposals include Denby (1,500 houses), Swanwick (600), and Mackworth (530)
Bolsover	3,600	2018-2033	Proposals include Bolsover North (900 houses), the former Coalite site (800), Clowne Garden Village (1,000), and the former Whitwell Colliery site (200)
Chesterfield	7,600	2011-2031	Staveley Rother Valley Corridor regeneration site will be a focus (1,500 homes). Development also planned at Chesterfield Waterside, and around Barrow Hill, Duckmanton, Holme Hall, Mastin Moor, Poolsbrook and Rother
Derbyshire Dales	6,440	2013-2033	Ashbourne, Matlock and Wirksworth will be the focus, with some growth around Darley and other larger rural settlements. Specifics include Ashbourne Airfield (1,100 houses), Matlock (650) Darley Dale (100), and Wirksworth (645)
Erewash	6,250	2011-2028	4,500 homes to be located in the Ilkeston area, including 2,000 homes at the Stanton Regeneration Site. Also 1,450 homes around Long Eaton and approximately 300 within rural settlements
High Peak	7,000	2011-2031	Proposals includes Glossopdale (around 1,100 houses), Chapel-en-le-Frith, New Mills and Whaley Bridge (around 1,100 homes across these three settlements) and Buxton (1,300)
North East Derbyshire	6,000	2011-2031	1,000 houses are proposed around Eckington, around 3,200 in the South of the district (in and around Clay Cross and Wingerworth), approximately 750 around Killamarsh and around 800 near Dronfield
South Derbyshire	12,600	2011-2028	Development to be focused around Derby, (Sinfin (1,950 houses), Boulton Moor (1,950), Mickleover (1,650) and Littleover (1,050 houses). Additionally 2,240 houses allocated at the former Drakelow Power Station site. Other housing growth will be located in and around Swadlincote and the larger rural settlements, particularly Etwall, Hatton and Hilton.

Barriers to meeting housing demand

Although Local Plans indicate that across Derbyshire there are sufficient new houses planned to meet housing demand in the county in the medium-term, there are challenges in delivering the growth outlined. One of the main challenges is the viability of sites for developers. Once planning permission has been granted, developers have to have started work at a site within three years, otherwise the planning permission is void. However, there is no provision within planning laws to stipulate when developments must be completed. It is common for developers to phase larger housing schemes over a number of years rather than build all the houses with planning permission in one single phase, which limits supply and keeps prices higher.

The issue of viability can also be a barrier to development, which is a particular issue in the former coalfield areas of the county, where house prices are generally lower, as noted on the earlier map. In such areas, there is land available for development but it is often not attractive to the developers due to the lower selling price that can be achieved. Derbyshire Dales, High Peak and South Derbyshire tend to be the most sought after locations for developers, where the selling price is likely to be higher.

Land banking is also another barrier where developers buy land that they intend to build houses on, but hold on to it before submitting a planning application so as to secure a higher price. There are examples of this in southern Derbyshire, on the outskirts of Derby, although it is thought to be a county-wide issue. Land banking can also be due to developers not being able to secure loans from the banks to bring sites forward for development, although the lending environment is improving.

To enable the development of infrastructure in support of housing growth, such as roads, schools, and public open spaces, developers are required to make a financial contribution under the terms of section 106 agreements. This requirement can also impact on the viability of housing schemes.

Given the demand for affordable housing local authorities try to secure a percentage of affordable on development schemes of 11 units or more. Increasingly, the concept of adaptable housing, is also being factored in, which is housing which can be easily adapted as people's needs change as they get older. However, whilst councils can set targets around the amount of affordable development on site, this is often subject to negotiation with developers. Districts locally have cited a

combination of factors as contributing to the challenge in building affordable homes, including changes to national planning guidance with developments of 10 or less dwellings being no longer required to make a financial contribution towards affordable housing. Additionally, developers of large scale developments are more often seeking to reduce the level of affordable units on sites due to viability considerations relating to the costs of other new infrastructure required such as roads, schools and open space.

Policy developments

The housing crisis is complex, creating many homes that are unaffordable and not appropriate to the needs of communities. However, the undersupply of new homes has been identified for some years as being the root cause of the continuing crisis. It fuels increases in housing costs, both rents and purchase price, leading to housing becoming increasingly unaffordable. It may also contribute to overcrowding and, in the worst case scenario, homelessness.

Recent policy announcements by Government, including the recent White Paper, have indicated a shift away from boosting home ownership to solving the housing crisis by building more homes, including those for rent:

- A £3bn Home Building Fund to help small family firms to build 25,000 new homes by 2020
- A £2bn loan fund to pay for 15,000 new homes by 2020 on surplus public sector land
- The Shared Ownership and Affordable Homes Programme focused on increasing the delivery of affordable housing, including Rent to Buy homes
- The Community Housing Fund through which the East Midlands is to receive £2.7mn to help the delivery of affordable housing
- Local authorities to be offered incentive to facilitate more 'higher density' building and more homes around transport links

At the local level, the Government has recently announced plans for seven garden towns and 14 garden villages, with one of these proposed for Derbyshire. Funding of £400,000 has been secured to develop Infinity Park Village on the outskirts of Derby. This will include up to 1,900 homes in South Derbyshire. The proposal will also include the development of a new junction on the A50, which will help investment on nearby Infinity Park Derby, where it is hoped that up to 5,000 jobs will be created.

Also, Derbyshire County Council has set up a private development company which is

to utilize the Council's land to help provide homes and generate income for council services. Land in Duffield and Danesmoor has been identified as the first for development by Derbyshire Developments Limited.

One of the outcomes from the emerging One Public Estate (OPE) initiative in Derbyshire will be the release of land currently owned by the public sector locally, some of which could be utilised for housing development. This initiative is being led by the Cabinet Office and Local Government Association, and is about local government working with public sector partners to use land and property as the catalyst for delivering customer focused service. Key aims are to provide more integrated, customer focused services; generate funds through the release of land/property; reduce running costs, and enable economic growth with released land and property stimulating regeneration, new housing and jobs. Derbyshire County Council is the 'lead partner' for the North Midlands OPE Programme and to date over £400k has been allocated to the project.

Finally, the county is looking to improve support for the homeless. Six of Derbyshire's districts, Amber Valley, Bolsover, Chesterfield, Erewash, North East Derbyshire and South Derbyshire have been part of a successful bid that has secured £180,000 to help tackle rough sleeping in 10 authorities in Derbyshire and Staffordshire. Additionally, The Homelessness Reduction Bill, now proceeding through parliament is designed to ensure that all households who are either homeless or threatened with homelessness receive support from their local councils.

End Notes

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

²Gross Domestic Product (GDP) Preliminary Estimate, Quarter 4 2016, Office for National Statistics (ONS) © Crown Copyright. Published January 2017.

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

⁴Statistical Bulletin, Consumer Price Inflation (CPI), January 2017, ONS © Crown Copyright. Published February 2017.

⁵Bank of England, Monetary Policy Committee Decisions, February 2017. Published February 2017.

⁶Bank of England Agents' Summary of Business Conditions, Feb 2017. Published Feb 2017.

⁷East Midlands Chamber of Commerce, Quarterly Economic Survey, Q4 2016. Published Feb 2017.

⁸Derbyshire Economic Partnership, 2016-2017. Published February 2017.

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

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

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

¹²Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the 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.

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

¹⁵DWP Benefits, August 2016, ONS (Nomis) © Crown Copyright. Published February 2017.

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

¹⁷Mid Year Population Estimates, 2015, ONS © Crown Copyright. Published 2016.

¹⁸Housing Summary Measures Analysis, 2015, ONS © Crown Copyright. Published October 2016.

¹⁹Dwelling Stock Estimates by Local Authority District, Table 125, 2001-2015, Communities and Local Government, © Crown Copyright. Published April 2016.

²⁰Housing Supply Net Additional Dwellings, Component Flows of, by Local Authority District, Table 123, 2015-16, Communities and Local Government, © Crown Copyright. Published November 2016.

²¹Household Projections, 2014 based, ONS © Crown Copyright. Published 2016.

²²Local Plans of Derbyshire's Local Authority Districts.

²³UK House Price Index, ONS and Land Registry, November 2016, © Crown Copyright. Published January 2016.

²⁴House Price Statistics for Small Areas, Median Price Paid by middle super output area, Q2 2016, ONS © Crown Copyright. Published 2016.

²⁵Ratio of Median House Price to Median Earnings by Local Authority, Table 577, 2015, Communities and Local Government, © Crown Copyright. Published July 2016.

²⁶ Total Additional Affordable Housing Supply, 2015-16, Completions, Live Table 1008C, Communities and Local Government, © Crown Copyright. Published November 2016.

²⁷ Tenure, Census, Table KS018, 2001 and Table KS401EW, 2011, ONS © Crown Copyright.

²⁸ Numbers of Households on Local Authorities' Housing Waiting Lists, Table 600, 2015, Communities and Local Government, © Crown Copyright. Published January 2016.

²⁹ Housing Summary Measures Analysis, 2015, ONS © Crown Copyright. Published October 2016.

³⁰ Housing Summary Measures Analysis, 2015, ONS © Crown Copyright. Published October 2016.

³¹ Homelessness Accepted Cases by Local Authority, Table 784, 2015/16, Communities and Local Government, © Crown Copyright. Published December 2016.



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