

DERBYSHIRE COUNTY COUNCIL

CABINET

5 April 2016

REPORT OF THE CHIEF EXECUTIVE

**DERBYSHIRE ECONOMIC REVIEW – MARCH 2016
(Strategic Policy, Economic Development and Budget)**

1. Purpose of the Report

To present the latest Quarterly Economic Review – March 2016 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:

- There has been a slide in the level of economic growth across both Derbyshire and the East Midlands in the fourth quarter of 2015. Although the economy is still growing, it is a concern that the rate of growth has fallen for the third consecutive quarter. Difficulties experienced by some manufacturing firms are a key factor. The sector is an important part of the county's economy, however the stalling growth in some key global markets, such as China, and the strong pound appear to have had an impact on supply chains in Derbyshire.
- With manufacturing showing some signs of stress, overseas sales and orders have struggled. However, domestic orders also appear to be subdued, although domestic sales over the last three months have held up. It is a

concern that the level of investment in training has seen a fall, as this is an important driver of productivity growth. These results have contributed to a drop in business confidence about future turnover, although firms in Derbyshire are still expecting to be profitable.

- The claimant count unemployment rate in Derbyshire is currently 1.2%, lower than the England rate of 1.8%. The rate has been on a downward path for nearly four years, however over the past few months the trend appears to have stabilised. This is likely to reflect the recent inclusion of Universal Credit (UC) claimants in the data following the ongoing migration of Jobseekers Allowance (JSA) to UC. In parts of Derbyshire, unemployment remains higher, in particular areas of Ilkeston, Bolsover, Chesterfield, Gamesley and Buxton.
- There is a slightly lower proportion of JSA unemployed residents in the county (25.8%) who have been out of work for more than a year compared with England (26.4%). However, the level of long-term unemployment locally has been creeping up over the last year and a total of 1,310 residents remain long-term unemployed
- Encouragingly, over the past three months the rate of youth unemployment in Derbyshire has dipped below that for England for the first time since the 2008-09 recession, with the latest figures being 1.3% and 1.4% respectively. Additionally, the number of wards where the youth unemployment rate is more than double the national average has decreased from the 11 in the previous Quarterly Economic Review to six in the current quarter. Youth unemployment rates remain high in parts of Ilkeston in Erewash; and Elmlton-with-Creswell and Clowne in Bolsover.
- The proportion of residents claiming an Out-of-Work Benefit (OoWB) has continued to fall in the county, with there being 1,930 fewer residents claiming an OoWB than a year ago. The level of 8.6% for Derbyshire is the lowest since this measure was first reported in 1999. However, more than one in five of the working-age population are claiming an OoWB in Gamesley (High Peak); Rother, Middlecroft and Poolsbrook, and Loundsley Green (Chesterfield); and Shirebrook North West (Bolsover).
- There has once again been mixed progress on jobs this quarter, with the manufacturer Leaderflush announcing it is to close with around 300 jobs at the Langley Mill plant affected. Job gains have been seen at Markham Vale with the meter supplier Meter Provida Ltd opening a new plant on the site in December employing 45 people and KFC opening a drive-thru restaurant leading to 45 new jobs. Additionally, a new B & M Bargains store in Chesterfield has generated 50 jobs, three apprentices have been recruited by William Professional Decorating Services in Ilkeston and the opening of a new visitor attraction at Cromford Mill is providing three volunteer opportunities. Despite there being more job losses than gains, there has been some positive news in terms of entrepreneurship in the county. Analysis by Start-up Britain shows that in 2015, Bolsover generated more entrepreneurs per head of population than any other area of the country outside London, with 25 start-ups generated per 1,000 people.
- The economic activity level in Derbyshire has historically been higher than that for England, however, for the second quarter in succession, the rate has

dipped below the national figure. Economic activity levels have been falling in the county for the past year and, reflect a combination of falling employment, including self-employment, and an increase in the number of working age people becoming economically inactive and leaving the labour market altogether. The county's employment rate remains above that for England and it is encouraging that despite falling over the last year, the employment rate over the past two quarters has edged up slightly. However, it will be important to keep track on the trends in future quarters. Within the county, the districts that have seen the greatest increase in economic inactivity over the last year are Chesterfield, Erewash and South Derbyshire where economic inactivity levels have increased by 8.6, 8.3 and 4.8% points respectively.

- Derbyshire's average house price in December 2015 was £132,190, nearly 30% lower than the national average. Although prices have been rising for around two and half years, there is a widening gap in the rate of growth locally and nationally. Whilst prices are closing in on their pre-recession peak in the county they are still some 6.8% below this, meaning that negative equity remains an issue for some people.

'In focus' topic – 'Universal Credit'

The welfare system is in the process of being reformed by the Government, with the introduction of Universal Credit (UC) at the heart of the changes. UC is a new type of benefit currently being rolled out across the UK which is replacing Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit, and Housing Benefit. It is designed to support people who are on a low income or out of work and is aiming to give individuals the support they need to prepare for, or move into, work or earn more.

Currently UC is only available in some pilot areas with claimants having to be newly unemployed, single and without children. However, from April 2016 UC will apply county-wide for this group of claimants. There are currently 1,361 people claiming UC in Derbyshire, and this will increase following the roll out. UC aims to simplify the current system through a single monthly benefit but there is some concern nationally that the six week turnaround between people making a claim and receiving their benefit is causing hardship. DCC's Welfare Rights team have confirmed that this is an issue in Derbyshire. It also suggested that there has been a tightening up of conditions for claiming UC which is resulting in an increase in claimants having their benefit reduced or stopped through benefit sanctions. Additionally, if UC claimants are in paid work, they can earn a certain amount before their UC is affected. However, from April 2016, this is to be removed for most categories of UC claimant and it is anticipated that this will cause financial stress for many people.

Although the county's economy is growing, there remain a significant number of people in Derbyshire who are experiencing financial difficulties, including those in work. For example North East Derbyshire has the highest proportion of low paid

jobs (13.3%) in the East Midlands. DCC and partners are aware that some individuals in the county are struggling and through the Derbyshire Partnership Forum Anti-Poverty Task Group will continue to look at ways to reduce the prevalence and impact of financial hardship across Derbyshire.

3. Equality and Diversity Considerations

Overall and youth unemployment levels are currently falling, but there remain pockets of unemployment where levels remain stubbornly high, for example youth unemployment in Ilkeston North is 5.7%, well above the national rate of 1.4%. It remains important therefore that young people are fully informed of the routes into the world of work. In support of this the D2N2 Local Enterprise Partnership has been granted funding to implement the national Careers and Enterprise Company programme. Work is underway on this locally to support the delivery of stronger connections between young people, schools and employers. It will aim to identify positive destinations and be a vital step in preventing young people disengage from the labour market.

There is some concern nationally and locally that the introduction of UC is causing hardship for some claimants. The Anti-Poverty Task Group has identified UC implementation as a major issue, including potential impact on those digitally excluded. The Group are to look at identifying potential gaps in provision and establish a network of Anti-Poverty champions to raise awareness of the plight of those in poverty.

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, 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 note the information presented within the Derbyshire Economic Review – March 2016 and that the findings be used to support future service planning and policy development.

Ian Stephenson
Chief Executive

Policy and Research, Chief Executive's

Derbyshire Economic Review - March 2016

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: ‘Universal Credit’.

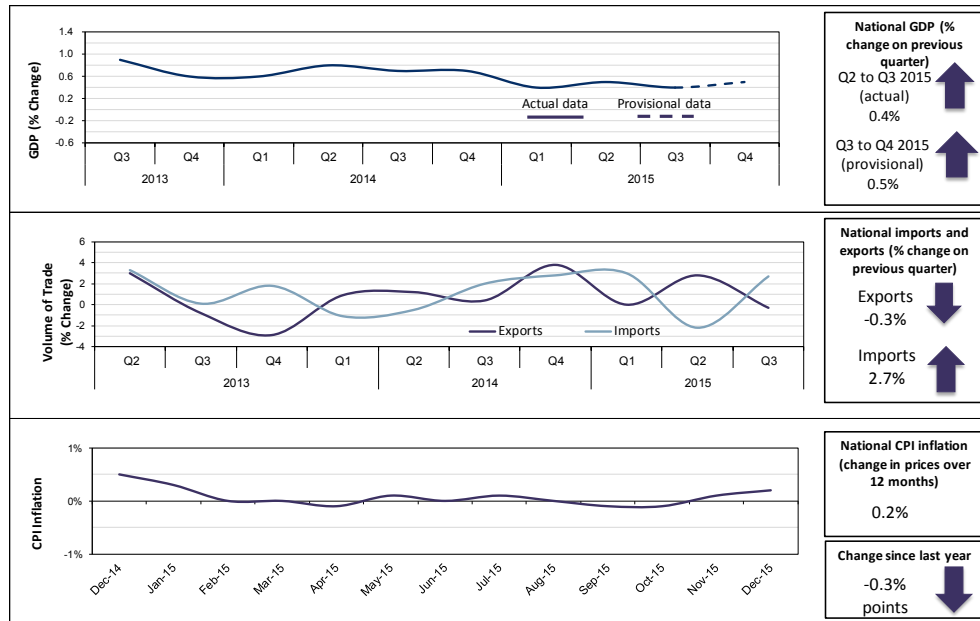
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Overview

- The UK economy expanded by 0.5% in the second quarter of 2015, boosted by growth in business services and finance. However, the 2.2% annual growth in 2015 was the slowest annual growth for three years. Despite this and since 2013, the UK is shown to have had amongst the strongest growth of any developed nations. The International Monetary Fund (IMF) has said that the UK's economy would also grow by 2.2% for the next two years, but that robust growth would not return until the global economy regained strength.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 0.2% for the 12 months to December 2015.
- There has been a slide in the level of economic growth according to the Derbyshire, Nottinghamshire and Leicestershire Chamber of Commerce's State of the Economy Index. This is the third consecutive quarter where the growth rate has slowed, and is partly due to difficulties experienced by manufacturers through stalling growth in some key global markets and the strong pound.
- The employment rate in the county was at 77.1%, lower than the 77.8% for England.
- The overall claimant count unemployment rate in Derbyshire stands at 1.2%, below the 1.8% for England. However, hotspots still exist across the county where unemployment levels are relatively high e.g. Ilkeston North (3.9%), Cotmanhay (3.3%), Ilkeston Central (3.1%) and Kirk Hallam (2.9%) in Erewash; Rother (3.4%) and St Helen's (2.9%) in Chesterfield; Elmlton-with-Cresswell (2.9%) in Bolsover; and Gamesley (3.0%) and Barms (2.9%) in High Peak.
- 25.8% of all Jobseeker's Allowance claimants in Derbyshire have been out of work for more than a year, slightly less than the national average (26.4%).
- Over the past three months, the county's youth unemployment rate has dipped below that nationally for the first time since before the recession. Hotspots do exist, but there are now only six wards where youth unemployment is more than double the national rate, Ilkeston North, Elmlton-with-Cresswell, Clowne North, Clowne South, Middlecroft and Poolsbrook, and Old Park.
- Houses prices in Derbyshire are increasing but at 4.2%, the level continues to be below that for England and Wales (6.4%).

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), the main national indicator of economic growth, is estimated to have increased by 0.5% in the fourth quarter of 2015², an increase on the 0.4% in the third quarter. However, growth was limited to two of the four main industrial sectors. Services increased by 0.7%, mainly due to growth in business services and finance, whilst agriculture grew by 0.6%. Construction and production weakened slightly, with output falling by -0.1% and -0.2% respectively, prompting concerns that the UK economy's reliance on the services sector is increasing further, with services still the only main sector where output has exceeded its pre-recession peak. Services contributed most to GDP growth (+0.52% points) whilst construction (-0.01% points) and production (-0.03% points) were a break on growth. Agriculture made a net zero contribution.

In quarter 3 of 2015, the UK's trade balance widened from -£9.7 billion to -£14.1 billion³ therefore making a negative contribution to GDP. Over the past three years, the trade gap has been widening, and the current figure is the third largest in that period. Export of goods and services fell by -0.3%, with imports increasing by 2.7%.

The UK's export performance is seen as a key indicator to watch in 2016, with exports thought to remain under pressure from weak demand flowing from slower growth in emerging markets, particularly China.

The annual CPI inflation rate currently stands at 0.2% for the 12 months to December 2015⁴. This is a small increase compared with November 2015, when the rate was 0.1%. Although this is the first month since January 2015 for which the rate has exceeded 0.1%, this continues the trend since early 2015 of the rate being very close to zero. Movements in transport costs, particularly air fares and to a lesser extent motor fuels, were the main contributors to the rise in the rate.

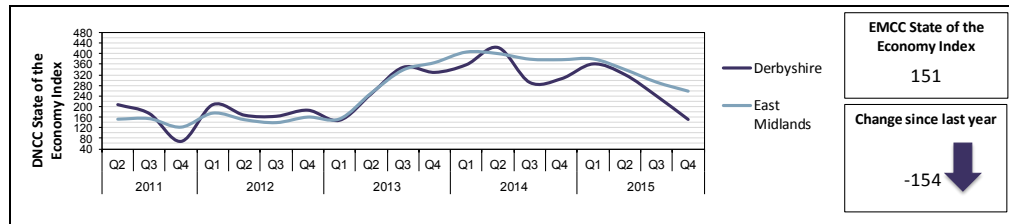
The Bank of England (BoE) interest rate remains at 0.5%⁵, the same level it has been at since March 2009. Many commentators had been suggesting that interest rates may begin to rise early in 2016. However, the BoE has ruled out an immediate increase because of difficulties in the global economy and weaker UK growth. With China registering its lowest growth for 25 years, the continuing fall in oil prices and sluggish UK wage growth, the BoE does not feel it is the right time to tighten monetary policy through a rise in interest rates. The BoE highlighted the following national trends as at July 2015⁶:

- Annual growth in consumer spending has been resilient. The Christmas period was stronger than a year ago in volume terms, but little changed in value.
- Housing market activity remained subdued.
- Business services turnover growth was firm overall.
- Manufacturing output was slightly down on a year earlier largely reflecting a slowdown in world demand, and the strength of sterling.
- Construction output continued to rise solidly on a year earlier.
- Investment intentions weakened in manufacturing but there was moderate growth among services firms.
- Employment intentions had softened and were consistent with modest employment growth overall. However, recruitment difficulties remained.

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

Local Economic Context

Business Conditions



Quarter 4 of 2015 saw a further dip in the level of economic growth, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷. EMCC's State of the Economy Index (SEI) registered its lowest levels in nearly three years. Although the economy is still growing, it is a concern that the rate of growth has fallen for the third consecutive quarter.

Across the East Midlands, the manufacturing sector has shown some signs of stress. Derbyshire's greater share of manufacturing employment means that the impact of difficulties in the sector will always be felt keenly in the county. The relative weakness in global markets, such as China, appears to be biting in supply chains locally, and the strong pound has had an impact on exports. Overseas sales and orders have struggled but domestic orders also appear to be subdued, although domestic sales over the last three months have held up. It is a concern that the level of investment in training has seen a fall, as this is an important driver of productivity growth. These results have contributed to a drop in business confidence about future turnover, although firms in Derbyshire are still expecting to be profitable.

Investment

The Derbyshire Economic Partnership received a total of nine enquiries from firms seriously looking to invest in the county⁸ between November 2015 and January 2016, which is an increase from the five received in the corresponding quarter a year ago. However, the year to date figure of 36 is below the 54 at this time in 2014-15.

Over the past three months, construction was completed on a drive-thru restaurant for KFC and on a 40,000 sq. ft. warehouse and factory unit for Chesterfield based Meter Provida Ltd enabling both units to be fully operational before Christmas 2015. Construction started on a £36m 420,000 sq. ft. distribution centre for Great Bear Ltd, and when fully operational some 400 jobs will be created. Construction also started on the £7.56m Seymour Link Road which when complete in October 2016 will bring forward a further 70 acres of fully serviced development land on Markham Vale

Local Economic Context

North. Detailed negotiations are progressing on a 220,000 sq. ft. manufacturing and distribution facility which when constructed will be the first occupier on Markham Vale North. Five new enquiries were received by the Markham Vale team.

Job Losses and Gains

The following job losses and gains information relates to organisations in Derbyshire (including Derby City), and is drawn from articles in the local press between November 2015 and January 2016.

Job Losses

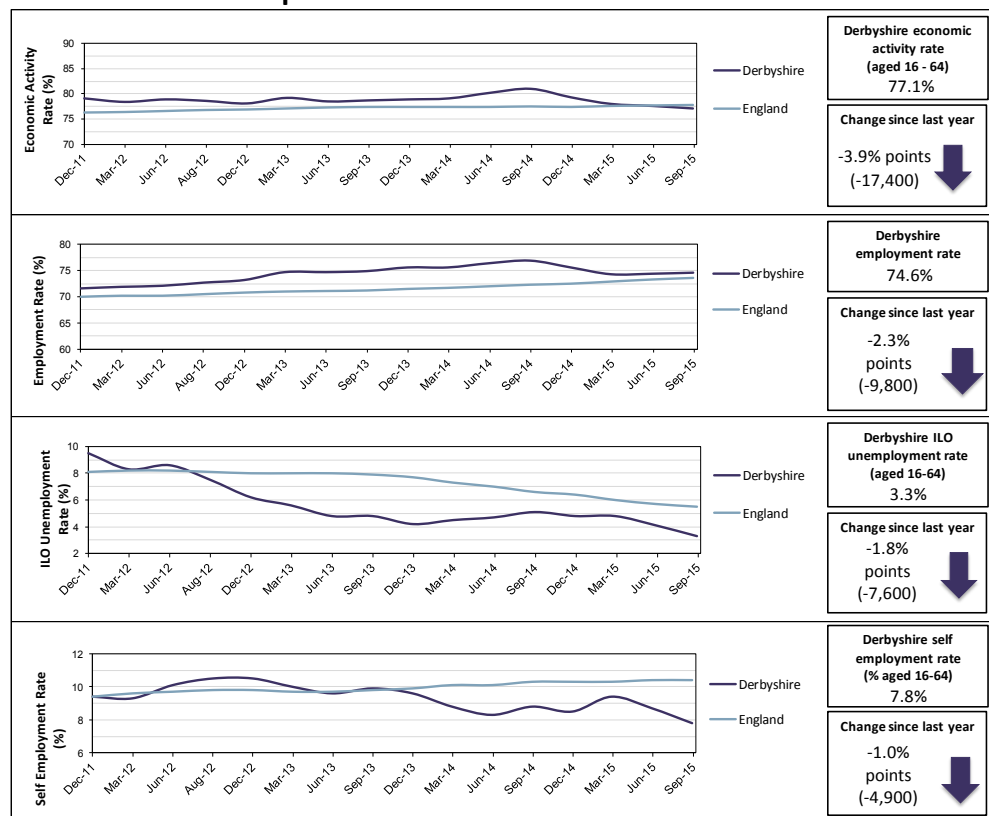
- In December Leaderflush Doors in Langley Mill went into administration, resulting in the loss of 400 jobs in the area, comprising around 300 at the Langley Mill plant and approaching 100 at the Mansfield site.
- It was announced in January that legal firm Slator and Gordon may have to cut 14 jobs from their Derby offices.

Job Gains

- B & M Bargains opened a new store in Somercotes in December 2015 providing 50 jobs in the town.
- The site opened by Smart meter supplier Meter Provida Ltd on Markham Vale in December is to employ 45 people.
- The drive-thru restaurant on Markham Vale opened by KFC in December will supply 45 new jobs.
- In Ilkeston, Williams Professional Decorating Services has recruited three new apprentices in November to meet increased demand for services.
- A new manager was recruited at The Poets Arms in Ashover in December following the selection of the establishment as the regional pub of the year.
- A new visitors attraction at Cromford Mill opened on 2nd February, creating three volunteer opportunities.

Despite there being more job losses than gains this quarter, there has been some positive news in terms of entrepreneurship in the county. Analysis by Start-up Britain shows that in 2015, Bolsover generated more entrepreneurs per head of population than any other area of the country outside London, with 25 start-ups generated per 1,000 people.

Labour Market Participation



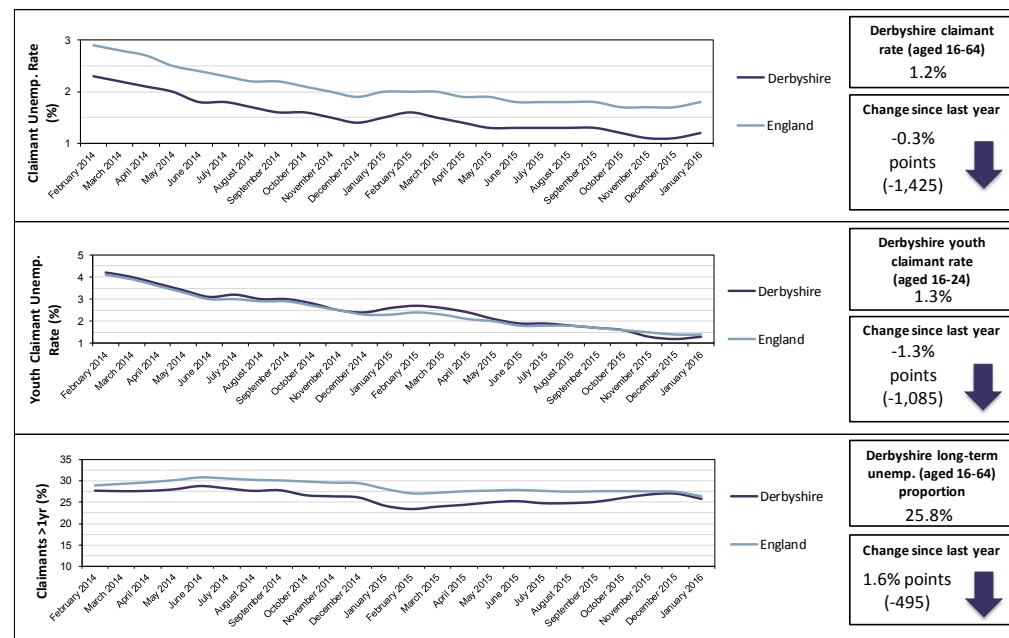
Source: Annual Population Survey, October 2014-September 2015, ONS (Nomis) © Crown Copyright.

The economic activity rate in Derbyshire is, at 77.1%, slightly lower than the 77.8% for England⁹. The employment rate¹⁰ has also fallen in the county over the last year, with the figure of 74.6% only 1.0% points above the England figure. Economic activity and employment rates have historically been high in Derbyshire so it will be important to monitor this trend.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance (JSA) or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

The ILO unemployment rate in Derbyshire in September 2015 was 3.3%, lower than the 5.5% for England¹². The local rate has declined by a greater amount (-1.8% points) over the last year so that the gap with England has widened slightly.

The self-employment rate in the county has dropped to 7.8% this quarter, continuing the general downward trend of the past two years. This has once again seen the gap widen with the England picture, where the rate is 10.4%.

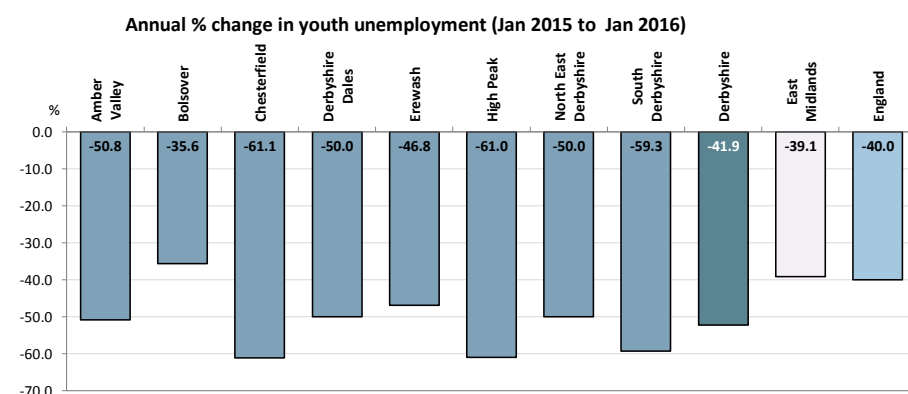
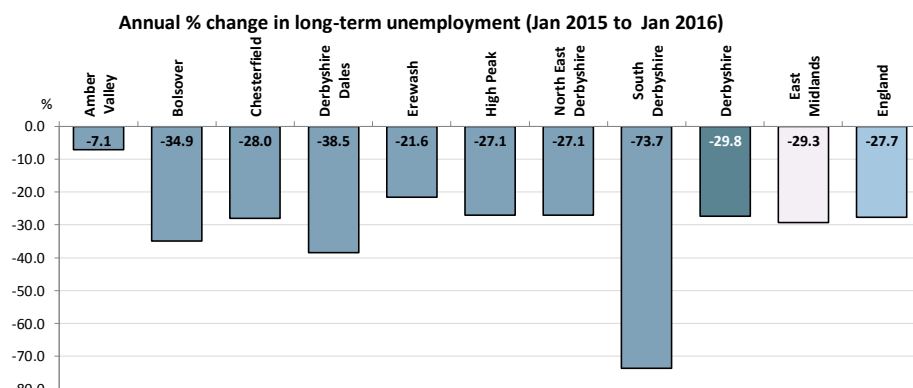


Source: Claimant Count, January 2016, ONS (Nomis) © Crown Copyright.

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. The rate has been on a downward path for nearly four years, however over the past few months the trend appears to have stabilised and the figure for the most recent month shows a marginal rise. This is likely to reflect the recent inclusion of UC claimants in the data. There remain hotspots in the county including the wards of Ilkeston North, Ilkeston Central, Cotmanhay and Kirk Hallam in Erewash; Rother, and St Helen's in Chesterfield; Elmlton-with-Creswell in Bolsover; and Gamesley and Barms in High Peak.

Labour Market

Over a quarter (25.8%) of Derbyshire's JSA unemployment claimants have been out of work for more than a year, marginally less than the England rate of 26.4%. Although this represents 495 fewer long term claimants than this time last year, the proportion has increased from the 24.2% a year ago, as the long-term claimant fall has not been as great as that for total unemployment. Analysis by district can highlight which areas are contributing most to the changes county-wide. All districts have shown a decrease in the number of people who have been unemployed for over a year in the last 12 months. The greatest annual percentage decline is once again shown by South Derbyshire (-73.7%), with the lowest for Erewash (-21.6%).



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

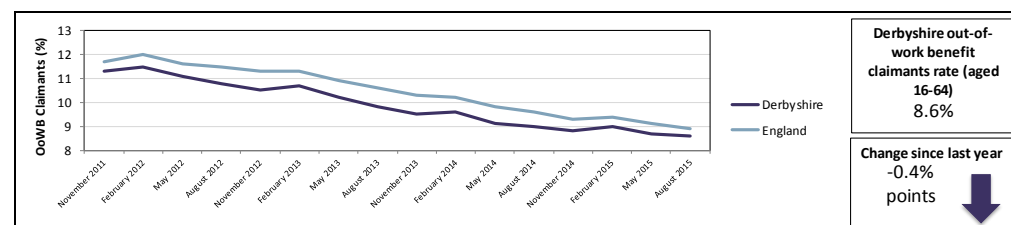
Source: JSA Claimant Unemployment, January 2016, ONS (Nomis) © Crown Copyright.

Labour Market

For the past three months, the youth unemployment rate in Derbyshire has dipped below that nationally, with the latest figure for the county being 1.3%¹³. Although it is only marginally below the England rate of 1.4%, this is the first period since the 2008-09 recession that the rate has gone below that for England. All districts have shown a decline in youth unemployment, with the greatest annual percentage decline in Chesterfield (-61.1%), and the smallest in Bolsover (-35.6%).

Although the county's youth unemployment rate continues to fall, the proportion of young claimants who are long-term unemployed has started to edge upwards over the past few months, to stand at 17.6%. This is still well below the peak of 21.0% in November 2013 but will be important to keep track of. Additionally, there are wide variations, from 24.3% in Chesterfield down to zero in South Derbyshire.

It remains important therefore that young people are fully informed of the routes into the world of work. In support of this the D2N2 Local Enterprise Partnership has been granted funding to implement the national Careers and Enterprise Company programme. Work is underway on this locally to support the delivery of stronger connections between young people, schools and employers.



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

The proportion of residents claiming an Out-of-Work Benefit (OoWB) continues to fall as the economic recovery progresses. In August 2015, there were 1,930 fewer county residents (8.6%) claiming an OoWB¹⁴ than the year before, lower than the England average of 8.9%¹⁵. Despite this, in five wards there are more than 20.0% of 16-64 year olds claiming an OoWB. These were also the wards with the highest levels in the previous Derbyshire Economic Review and are Gamesley in High Peak; Rother, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield; and Shirebrook North West in Bolsover.

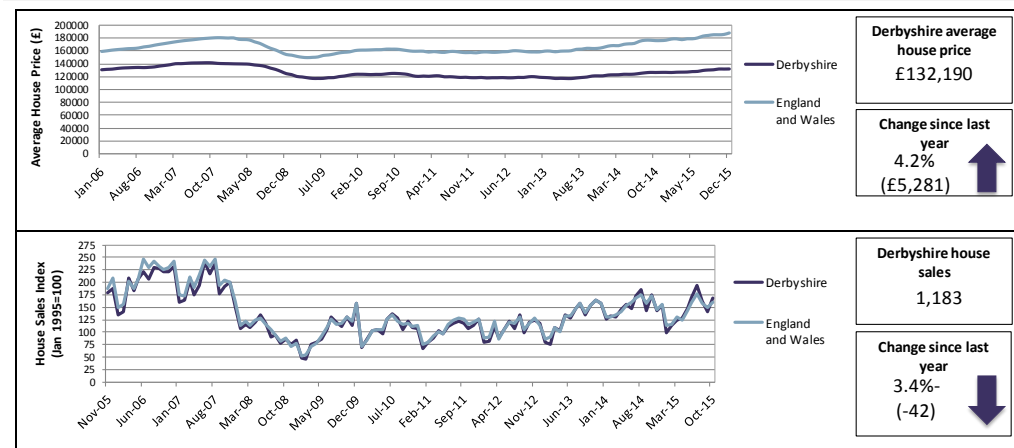
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (Aug 2015 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	56,420	11.6	11.7	-2,210	-3.8	↓
Out-of-Work Benefit Claimants	41,510	8.6	8.9	-1,930	-4.4	↓
Employment Support Allowance (ESA)	28,650	5.9	5.6	2,100	7.9	↑
- Long term claimants (1yr or more)	21,940	76.6	74.8	3,970	22.1	↑
- 18 to 24 year old claimants	2,500	8.7	8.1	320	14.7	↑
Lone Parent Income Support (LPIS)	4,430	0.9	1.1	-380	-7.9	↓
- 18 to 24 year old claimants	1,310	29.6	26.7	-240	-15.5	↓
Personal Independence Payments (PIP)	8,913	1.8	1.4	5,887	194.5	↑
Universal Credit (UC)	1361	0.3	0.5	1,356	Too soon for a meaningful figure	
JSA sanctions	270	Numbers too small		-491	-64.5	↓
Household benefits (Nov 2015)						
Housing Benefit claimants	48,610	14.5	18.1	-1,102	-2.2	↓
Households affected by removal of Spare Room Subsidy	5,107	10.5	8.4	-126	-2.4	↓
- 1 Bedroom	4,250	83.2	82.9	-50	-1.2	↓
- 2 or more bedrooms	857	16.8	17.1	-76	-8.1	↓
Benefit Cap	110	Numbers too small		21	23.6	↓

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

Notes: * PIP October 2015, UC January 2016 and JSA sanctions September 2015.

There are 11.6% of Derbyshire residents claiming benefits, including 5.9% ESA and 0.9% LPIS, similar to England. However, the proportion of residents aged 18-24 claiming LPIS and long-term ESA claimants are higher in Derbyshire. There are a lower proportion of households claiming housing benefit (14.5%) than England (18.1%) but a higher proportion of claimants have been affected by removal of the spare room subsidy¹⁶. PIPs are in the process of replacing Disability Living Allowance, so the rates are currently low. This is also the case for Universal Credit, with the number of UC claimants having increased steadily each month over the last year as claimants are transferred on to this benefit. The majority of benefits in Derbyshire have seen a reduction in claimants, the exception being ESA which has seen an increase, in part reflecting that ESA is in the process of replacing Incapacity Benefit. The benefit showing the greatest decline (-64.5%) is for people who have had their benefit stopped or reduced through sanctions. This is linked to the downward trend in JSA claimants.



Source: House Price Index, Land Registry, December 2015, © Crown Copyright

Derbyshire's average house price in December 2015 was £132,190, nearly 30% lower than the national average¹⁷. Although prices have been rising for around two and half years, there is a widening gap in the rate of growth locally and nationally. Whilst prices are closing in on their pre-recession peak in the county they are still some 6.8% below this.

House price growth nationally is at highest level for a year, with shortage of housing supply a factor. London and the East of England are leading the way, with rises of 12.4% and 10.6%. One reason for the acceleration in growth is thought to be the introduction of the so-called 'landlord tax' in April which is fuelling demand in the run up to its roll-out. This aims to reduce the growth in private landlords which is thought to be impacting on home ownership levels. Affordability remains a concern, with property consistently outstripping pay, and ONS data showing that house prices have grown at more than three times the average wage over the past year. PricewaterhouseCoopers recently reported that it expects the majority of under 40's to be priced out of the market within the next decade.

In October 2015, there were more than 1,100 property sales in the county, an increase on the figure the previous month, but 3.2% less than a year earlier. However, this is less than half of the fall seen nationally. There is a relative shortage of properties going onto the market, with the Royal Institute of Chartered Surveyors reporting more buyers than sellers in the market for the 11th consecutive month.

Universal Credit

Over the last few years the Government has announced some important changes to the welfare system to help reduce budgets. At the heart is the introduction of Universal Credit (UC), which is replacing the six main earnings-related benefits. Although UC aims to simplify the system through a single monthly benefit, there is some evidence nationally that UC claimants have been experiencing financial difficulties, with 89% reported as being in rent arrears¹⁸. This In-Focus is a follow up to that in December 2014 on Welfare Reform, and outlines some of the changes and how they might impact on people in the county.

Universal Credit is a new type of benefit currently being rolled out across the UK, and is designed to support people who are on a low income or out of work. It is replacing Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit, and Housing Benefit. UC aims to give individuals the support they need to prepare for or move into work, or earn more. Significantly, the amount of UC benefit is only gradually reduced as people earn more so they won't lose their benefits all at once.

Currently UC locally is only available in some pilot areas, with claimants having to be newly unemployed, single and without children. However, from April 2016 UC to this group of claimants will apply county-wide. There are currently 1,361¹⁹ people claiming UC in Derbyshire, with this to increase following the roll out. With there being a six week turnaround between people making a claim and receiving their benefit, there is some concern nationally that this is causing hardship. Derbyshire County Council's (DCC) Welfare Rights team have confirmed this as an issue locally, and are being contacted daily by worried claimants.

In return for receiving benefit, claimants are responsible for doing all they can to find work or increase their earnings. However, if they don't do something they're required to, their benefit may be temporarily stopped or reduced. This is known as a sanction. Commentators suggest that there has been a tightening up of conditions for claiming UC which is resulting in an increase in sanctions. Research by Civitas²⁰ indicates some sanctioned claimants drop out of the system and are neither in work or receiving benefits, creating the potential for increased hardship. There is a feeling that people are being sanctioned because they don't fully understand the changes.

If UC claimants are in paid work, they can earn a certain amount before their UC is affected. This is called the 'Work Allowance'. However, from April 2016, this is to be removed for most categories of UC claimants and it is anticipated that this will cause difficulties for many claimants. There are concerns that more people in the county are facing hardship on top of existing pressures which have led to people seeking help, such as through foodbanks. The Government will be offering discretionary support through the Flexible Support Fund, although this will be for things such as training rather than financial help. Despite the support that will be available for some claimants, with 23,100 (17.0%) of Derbyshire's children in poverty²¹, the changes may see more families struggling.

As well as reducing dependency on benefits, the Government wants to move to a higher wage economy, with the National Living Wage aiming to contribute this. This will be introduced from April 2016 for workers over 25 with an initial rate of £7.20 per hour, higher than the current National Minimum Wage of £6.80, and rising to £9.00 by 2020. Many workers see these changes as being positive, however analysis by the Resolution Foundation²² identifies that the changes will be difficult for employers in lower-paying cities, with Sheffield and Nottingham identified as the two cities likeliest to see the greatest challenges. Both provide employment opportunities for Derbyshire residents, so it will be important to keep track of this.

The county's economy is growing, however, there remain people in Derbyshire who are experiencing financial difficulties, including those in work. Research by the Low Pay Commission²³ has identified that North East Derbyshire (13.3%) has the highest proportion of low paid jobs in the East Midlands, and although improving, the amount of disposable income that households have locally is only 93.7% of the UK average²⁴. Stagnating wages and changes to the benefits system will be factors.

DCC and partners are aware of some of the impact locally and have established a working group to address issues. The Derbyshire Partnership Forum Anti-Poverty Task Group has identified UC implementation as a major issue, including potential impact on those digitally excluded through the increase in on-line assessment, and the Group will be looking to identify potential gaps in provision. Additionally, a network of Anti-Poverty Champions is to be established across the Forum to raise awareness of the plight of those in poverty.

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

²Gross Domestic Product (GDP) Preliminary Estimate, Quarter 4 2015, ONS © Crown Copyright. Published January 2016.

³Statistical Bulletin, Quarterly National Accounts, Quarter 3 2015, ONS © Crown Copyright. Published December 2015.

⁴Statistical Bulletin, Consumer Price Inflation (CPI), Dec 2015, ONS © Crown Copyright. January 2016.

⁵Bank of England, Monetary Policy Committee Decisions, February 2015. Published February 2016. Note, this indicator is known as 'the bank rate'.

⁶Bank of England Agents' Summary of Business Conditions, January 2016. Published January 2016.

⁷East Midlands Chamber of Commerce, Quarterly Economic Survey, Q4 2015. January 2016.

⁸Derbyshire Economic Partnership, 2014-2015. Published February 2016.

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 Office for National Statistics now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for youth and 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 2014 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 2015, ONS (Nomis) © Crown Copyright. Published January 2016.

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

¹⁷House Price Index, Land Registry, December 2015, © Crown Copyright. Published January 2016.

¹⁸Welfare Reform Survey, 2015, National Federation of ALMOs (NFA) and Association of Retained Council Housing (ARCH). Published January 2016.

¹⁹DWP Benefits, August 2015, ONS (Nomis) © Crown Copyright. Published January 2016.

²⁰Fixing Broken Britain, An Audit of Working Age Welfare Reform since 2010, Civitas. January 2016.

²¹English Indices of Deprivation 2015, CLG © Crown Copyright. Published September 2015.

²²Analysis on the new National Living Wage, Resolution Foundation. Published January 2016.

²³National Minimum Wage, 2015, Low Pay Commission. Published March 2016.

²⁴Gross Disposable Household Income, 2013, ONS © Crown Copyright. Published May 2016.

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