EEC/06/227/HQ
Torridge County Committee
13 December 2006

Priorities for the Local Economy

Report of the Director of Environment, Economy and Culture

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: It is recommended that:

(a) Members note the data drawn from the State of the Devon Economy report and other sources as shown in Appendix I;

(b) Members comment on perceptions of priorities for the local economy;

(c) Members consider how the county-wide initiatives relating to the economy might support local needs.

1. Summary

This report refers to some of the main changes occurring in the Devon economy and the business support structures. Action to prepare a Devon Economic Strategy is outlined and key data relating to the economy of this district is set out in Appendix I.

2. Introduction and Background

Significant changes are underway both within the local economy and within the business support structures. This report seeks to highlight some of the main trends and outlines strategic initiatives which are being pursued. In the course of discussion at the meeting, it is hoped that Members will wish to suggest how the strategic work might benefit local circumstances.

3. Changes in the Economy

There are a number of trends which are gaining momentum and having more direct impact on employment and prosperity. The move towards knowledge-based occupations, globalisation of markets, migrant labour and reduced incomes within the rural economy are examples of influential changes.

Against this background, there has been an analysis of the strengths, weaknesses, opportunities and threats of Devon's economy.

<u>SWOT Analysis of Devon's Economy</u>

<u>Strengths</u>

- A high environmental quality - providing an excellent quality of life for residents and a key message for attracting additional investment and visitors into the county.
- A tradition of entrepreneurship and above the national average educational attainment - again key messages in encouraging both indigenous growth and attracting inward investment.
- A varied economic base and no over-dependence on one sector is a strength.

<u>Weaknesses</u>

- Low overall productivity.
- Low earnings.
- Net outflow of young adults.
- Under-employment.

- Physical peripherality.

Opportunities

- A large and increasing population base, utilising untapped skills and entrepreneurial spirit.
- Opportunity for building on and strengthening marine, creative, environmental technologies and food and drink sectors - opportunity to develop more knowledge-intensive employment options.
- Growing year-round season of tourism and consumer interest in the environment.
- Full access to broadband infrastructure by 2007 assisting business competitiveness.
- Two universities offering research and development, technology transfer and business development support.

Threats

- Dependence on the public sector for nearly 30% of the county's.
- Any environmental degradation is a threat to the main driver's economy.
- Lack of hi-tech manufacturing and financial services.
- Increasing cost of housing and lower than national average.
- Increased competition for EU Structural funding.
- Lack of skills development - constraint to future growth.

This analysis has helped to inform preparation of the Devon Economic Concordat.

4. Changes in Business Support

Some of the main changes in ways in which public sector support is given to enterprise development include:

- Business Simplification: The Department of Trade and Industry is seeking to reduce the number of support programmes from over 3000 to less than 100. Consultation on how this might be achieved currently is underway.

- Business Link Contracts: Sub-regional arrangements for provision of many advisory services are under review and will be put out to tender in the New Year. This will impact on Enterprise Agencies, for example.

- EU Funding: New funding programmes will come on stream from 2007. While the amount of money available to Devon will be significantly reduced, new opportunities will arise. For instance, the whole of the County will be eligible for ERDF and there will be relatively more funds available for trans-national projects. These changes will have some knock-on-effects to domestic government funding programmes.

5. Devon Economic Strategy

Given this highly volatile environment, it is essential that partners in Devon are in clear agreement about economic priorities and action which should be taken. To help achieve such consensus and co-operation, the Devon Economic Partnership has been formed. This Partnership is co-ordinating some vital processes which include preparation of a Devon Economic Strategy, input to the Devon Strategic Partnership's Sustainable Communities Strategy and oversight of the Economic Development and Enterprise block of the Local Area Agreement.

A Devon Economic Concordat was agreed in 2005 in order to articulate:

- shared aims for sustainable economic prosperity for Devon;
- framework for partnership working; and

- identify key priorities for joint action.

This has provided a good foundation for more effective working, achieving added value by combining efforts and developing stronger links with LSPs and sub-county economic partnerships. The priorities agreed are:-

<u>Priorities</u>

- Modern, efficient and sustainable infrastructure (transport, energy, communications, workspace).
- Skill levels.
- Employment creation in emerging sectors and under performing areas.
- Productivity, capacity and access to services in rural areas.
- Innovation and enterprise.
- Reduce leakages through local supply chain development.
- Develop and promote Devon's environment and culture to enhance investment.
- Environment as an economic driver.
- Affordable housing for key workers.
- Economic inclusion.
- Resources, co-ordination and partnership for implementation.

These priorities formed the basis for consideration of the themes to be included in the Economic Development and Enterprise block of the Local Area Agreement which are:

- Skills and productivity

- Economic inclusion

    - Affordable housing for key workers.
    - Worklessness (focussing on Job Centre Plus Clients).
    - Personal debt (Devon Pound).

- Environment as an economic driver

    - Energy conservation.
    - Energy generation.

- Infrastructure.

There has been good progress on most of these themes during the past 9 months.

To help draw together these diverse strands of work, a Devon Economic Strategy is being written. This will elaborate on the rationale behind the priorities which have been identified in the Concordat and on the mechanisms which will be used to initiate further schemes.

Complementary to this partnership work, a Business Growth Strategy and Regeneration Role and Action Programme have been prepared to guide the County Council's contribution to both promoting business growth and "unlocking the economic potential of the disadvantaged communities" (one of the authority's top Strategic priorities).

A strong theme running throughout is that of the environment, positively using Devon's environmental assets as a driver of the economy and ensuring that economic growth has minimal impact on environmental quality. Especially important is the imperative to conserve energy consumption and the opportunity to generate more energy within Devon.

6. Conclusion

This report summarises some of the key topics which will be elaborated in more detail at the meeting. The appendix contains some key data relating to the economy of this district. Hopefully, this is useful to stimulate Members' reflection on the economic issues within this district and how the strategic actions may help locally.

Edward Chorlton

Electoral Divisions: All in East Devon

Local Government Act 1972

List of Background Papers

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Background Paper	Date	File Ref.
State of Devon Economy Report		
Devon Economic Concordat		
Devon Local Area Agreement		

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An outline of economic performance in Torridge

Introduction

This report has been informed by statistics produced nationally and at a county level and gives an indication of some of the key economic data highlighting the state of the economy in Torridge. Data used are also being used to inform the updated State of Devon report when appropriate, which will be available on the Devon County Council website.

Commentary

Due to its geographical position, relatively peripheral location and also significant amount of land of high environmental quality (particularly on the coast), Torridge probably faces more challenges than many other parts of the County, but also has the potential for reasonable economic growth prospects from, an albeit very low base. The economy and culture of Torridge has been traditionally focused on agriculture and fishing and these still have a significant effect on the District with the traditional economic underperformance of the District due in part to the poor productivity of some of the land. The landscape and relative peace and isolation of parts of the District can attract inward investment and people relocating, although many younger residents also often leave to gain qualifications and employment experience elsewhere. Restrictions on areas to develop are often linked to areas of high environmental quality such as AONBs and these are often the same areas which are most popular to live in, so there is a strong need for planning policy to work towards using resources wisely.

Communications from Torridge to other areas are not as fast as from some other parts of Devon, although the A30 passes near to or through the southern end of the District and the A39 Atlantic Highway joins the end of the A361 North Devon Link Road. Traffic flows between Bideford and Barnstaple have been some of the fastest growing in the whole of Devon in the decade to 2004. Communications can be hampered by slower moving traffic near town centres, although this is less of a problem in many of the more rural parts of the District. Distance from airports and main rail networks add to the peripherality of the District, although ICT improvements have and will continue to make inroads into improving the District's locational advantage.

Commuting out of Torridge is relatively significant, mainly to the Barnstaple area and other centres to take advantage of higher paid jobs. Relative business productivity in Torridge has dropped significantly over the past decade and high profile job losses have led to a drop in the numbers of higher paid and full-time jobs within the District. To an extent the slack has been taken up by a greater level of commuting to higher paid jobs outside the District, although this is not always an option for everybody. Workplace based earnings figures for Torridge are significantly below residence based and these figures also indicate a large amount of part-time employment. Workplace based earnings have recently been consistently at or near the bottom of those for all Districts within the UK. These figures highlight an economic situation which needs more drastic action as a matter of urgency.

Indications, however, also point to a relatively high level of demand for land for business space, but particularly for smaller premises. A lack of suitable expansion land for business has the potential to cap economic growth within the District, while demand for housing could continue to grow particularly in the Coastal areas, mainly due to the quality of life offered. A lack of choice of employment and competition between employers has the effect of capping earnings and perpetuating a low wage economy. Through encouraging both indigenous business and employment growth and attracting new businesses the potential exists to tackle this issue.

Any developments (housing or business) in the District, could, if well planned and designed, with good communications and sufficient employment provision, assist the economic self-containment of the District and the economic progress of all parts of Torridge. However, this needs to be taken with the proviso that any potential increases in traffic and requirements for additional service provision will need to be dealt with creatively to ensure any potential benefits are realised and negative impacts mitigated.

Overall deprivation throughout the District is relatively high, but pockets of severe deprivation are most concentrated in Bideford and Westward Ho! (worst 25% nationally), although pockets exist elsewhere. Market and Coastal Towns Initiatives; DCC's priority communities and the North Devon and Exmoor Regeneration Company are part of a range of measures attempting to address these issues. The well-planned regeneration of communities such as Bideford and Westward Ho! has the potential to stem some of the growth in commuting within the area and to act as a hub for local and sustainable economic growth where it is needed most.

The high quality environment (i.e. AONBs, nature reserves, coastline and historic towns) is likely to continue to attract the growth of a range of smaller, often local produce or lifestyle focused businesses in many parts. There is a wide variety of businesses in these categories, although they often tend to be sole traders or micro enterprises. Improvements to ICT and the greater use of renewable energy technologies also have the potential to deliver a wide range of economic benefits to Torridge.

Finally it is worth noting that from the end of 2006 Torridge's European Objective 2 funding status will end, although this will be replaced by European Competitiveness funding which will be available across the South West region. Funding amounts are likely to be lower, although the potential still exists for Torridge to benefit from this fund through various projects. A major element of this fund is likely to be applied through projects that are commissioned. While Objective 2 will end shortly, funding from other less well publicised sources will still be available, though on a smaller scale.

Population

Mid year population estimates 2005			
Area	**PERSONS**	**MALES**	**FEMALES**
Devon County	731,000	355,100	375,900
Torridge	62,500	30,500	32,000

Area	**Total population % change 1981 - 2003**
Torridge	25.1
Devon County	19.3
UK	5.7

Area	% aged under 5	% aged 5 to 15	% aged 16 to pension age	% pension age or over
UK	5.7	14	61.8	18.5
Torridge	4.6	13.6	57.5	24.2
Devon County	4.7	13.1	58	24.2

Source: ONS and Devon County Council

Torridge has around 8.5% of the total population of Devon County (excluding Torbay and Plymouth). Population change has been rapid in the past 20 years or so - as in Devon as a whole – although Torridge's population growth has actually been the second fastest in the county and the fourth fastest of any District within the South West. As quality of life and environment becomes an ever more important factor in choosing where to live it is likely that population growth in Torridge will continue.

Torridge (as the rest of Devon) is underrepresented compared with nationally in all broad age categories apart from those over pension age, although provisional projections for Devon as a whole for the next 20 years show actual increases in nearly all age groups, apart from those in their early 50s. Torridge, however, does show a marginally higher representation than for Devon as a whole of people of working age.

The population profile of the District underpins the entire economy providing both the workforce and leading the demand for a range of services.

Earnings data

Residence based gross annual earnings 2006 (£)		
	All	**Full time only**
England	19,849	23,982
UK	19,496	23,580
Devon	17,233	21,116
Exeter	17,100	20,729
Torridge	**Not available**	**18,911**

Workplace based gross annual earnings 2006 (£)		
	All	**Full time only**
England	19,814	23,945
UK	19,496	23,580
Exeter	18,751	22,738
Devon	16,882	20,518
Torridge	**13,114**	**16,574**

Source: ONS

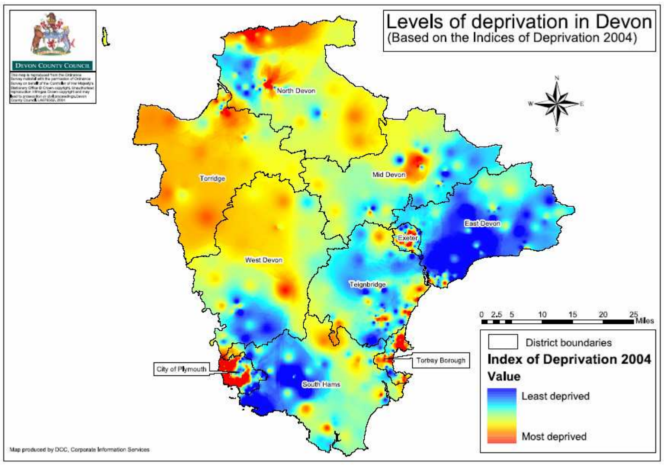
Earnings in Torridge are a long way below the Devon and England averages whether measured on place of residence or by place of work. That residence based averages are higher than workplace based averages reflects the fact that many people who live in Torridge work outside the District – particularly in neighbouring Barnstaple – to gain higher salaries.

Looking at Workplace based earnings there appears to be a relatively wide difference between full time pay and all pay within the District reflecting the fact that many people are in part-time work which is relatively low paid.

Workplace based pay is below that of both Exeter and Devon as a whole and in fact ranks at or near the bottom for all Districts within the UK. In 2005 workplace based earnings in Torridge were 408th out of 408 UK authorities. Workplace based earnings are also often given as a proxy measure for business productivity at small geographical levels.

Lower than average levels of pay combined with generally high house prices contribute to a lack of affordability of housing mainly for first time buyers, particularly in some coastal and rural areas where second home ownership is relatively high.

Deprivation



Source: ID 2004

Overall levels of deprivation in Torridge are some of the worst in Devon (based on ID 2004), although the picture varies very much from place to place. The pockets of greatest deprivation are concentrated in Bideford and Westward Ho! which have wards in the worst 25% of those nationally. Locally and at a county level work is being undertaken to address the issues involved. As these are overall levels what this can sometimes do in generally average or seemingly more prosperous areas is obscure the hidden deprivation and the fact of deprived individuals and households living in generally wealthy areas. Certain types of deprivation – such as access to services – are more prevalent in rural parts of Torridge than others.

As a result Bideford, Westward Ho! and the whole of rural Torridge are ranked as 'priority communities' for DC's and DSP's regeneration programmes.

Torridge profile from the NHS Health Poverty Index
ONS family Coastal and Countryside
Worst 5% in England

- Very poor health capital

Worst 20% in England

- Low GDP
- Poor healthcare resourcing
- Poor educational resourcing
- Poor social capital

Best 5% in England

- Nil

Best 20% in England

- Good recreation facilities
- Good change in job supply
- Effective primary/secondary care
- Good education quality

General comments

While education resourcing is low and human capital (exam results) are disappointing, education quality (added value) is excellent. Sociodemographic modelling showing health capital in the lowest 5% in England suggests deprivation as well as an older population. Premature mortality is reasonable, but both physical and psychological morbidity are in quintile 4, suggesting considerable morbidity at least in the working age population. Although healthcare resourcing is poor, access to secondary care is good, as is effective primary/secondary care. The picture is slightly skewed to less good health (13/26 indicators in the bottom 2 quintiles).

Skills levels

% of working age and economically active with:	UK	England	Devon	Torridge
NVQ4+	30.1	29.9	28.1	19.2
NVQ3 only	15.5	15.4	16.5	15.5
Trade Apprenticeships	6.1	5.9	6.6	3.7
NVQ2 only	15.9	16.0	17.0	24.9
NVQ1 only	14.1	14.6	14.8	17.0
other qualifications	8.1	8.5	9.4	13.2
No qualifications	10.1	9.8	7.5	6.5

Source: Annual Population Survey (Dec 2005)

Overall figures in Torridge do not differ too significantly from national and county averages, nonetheless, skills levels need to be both relevant to available jobs and to keep pace with national and global changes. Levels of NVQ4+ (Degree or above) in Torridge, however, are significantly below the national and Devon averages reflecting both a recent amount of growth in proportions qualified to this level nationally and the larger numbers of people in Torridge qualified to NVQ3 (A level), but who don't go on to Higher Education. Other significant points are the lower numbers of people with Trade Apprenticeships than both nationally and in Devon (in comparison with neighbouring North Devon where rates are significantly higher), the significantly higher than average levels of those with other qualifications (which is difficult to quantify without further in depth analysis), but also rather more positively the lower than average numbers of people with no qualifications. Consequently, Torridge is a high priority for the work of the Productive Skills for Devon partnership.

Unemployment - % claimant count Oct 2006

Area	**Male**	**Female**	**Total**
UK	3.5	1.4	2.5
England	3.5	1.4	2.5
Torridge	2.4	1.3	1.9
Devon	1.7	0.8	1.3

Source: ONS

Claimant count rates in Torridge, whilst being slightly below national levels, are above those for the county of Devon as a whole, reflecting both the lack of variety of jobs available in places such as Exeter and the distance from major centres of employment in some parts of the District. As with the figures in many places, these numbers also significantly under represent the numbers of people not in work but not claiming Jobseeker's Allowance.

Productivity data

It is generally given (and stated by the DTI) that there are five key drivers of business productivity

- Skills
- Investment (in new technology and infrastructure)
- Innovation
- Enterprise
- Competition (through agglomeration and closeness to competitors)

Gross Value Added compared with nationally

	1994	2004	Comparative direction of travel
Exeter (highest in Devon)	124.2	119.7	↓
UK	100	100	=
Devon average	74.9	75.1	↑
Torridge (lowest in Devon)	**63.6**	**52.6**	↓

Source: Devon Economic Model 2006

Business productivity of those businesses actually located in Torridge as measured by the Devon Economic Model, shows that it is very low compared with nationally, and particularly with nearby Exeter, as well as being lower than for Devon as a whole. A concentration of businesses in lower value added sectors such as tourism and care work is one of the main causes, as is a corresponding lack of businesses in sectors such as financial services and IT.

Cuts have also occurred recently in a number of industries which tends to also signify generally low levels of business competitiveness.

Business productivity in Torridge has declined sharply compared to the national figure since 1994, highlighting an economic situation which needs to be looked at in much greater depth as a matter of urgency, with potential measures applied to address the situation quickly should this be deemed necessary.