

A Resilient Economy

Report of the Head of Economy, Enterprise and Skills

1. Summary

This report provides a summary of the current state of the Devon economy. It highlights the current structure of the County's economy, trends, opportunities and challenges. The report also sets out the direction of travel for the Councils' new Strategy for Growth 2020-2030.

2. Background/Introduction

Devon has a very varied economy, with a broad sectoral mix, and no really strongly identified specialisms. The county does perhaps have an over-representation within Healthcare; Food and Drink; Tourism; Agriculture; Construction, plus Manufacturing in certain Districts. This breadth of economy is a strength in terms of providing resilience to shocks in any one sector, but a weakness in having no nationally significant concentration of businesses in dynamically performing sectors. Two sectors where the county has strong representation – retail and construction - are vulnerable to economic fluctuations and disruptive innovations.

Devon's economy is larger in size than Bristol and is currently worth around £17bn per year, with many successful and dynamic businesses. It is home to significant companies in many sectors including aerospace; financial; food and drink; digital and advanced manufacturing. Companies such as Supacat, Riverford Organics, Crowdcube Eaton Aerospace; Helitune and Goodridge are market leaders both nationally and globally. It also has one of the largest visitor economies in Britain, drawing in visitor spend of almost £2.5bn per year, primarily driven by the quality of its natural environment, and is home to the Met Office.

Devon has a small and micro business focused economy. Some of these enterprises focus on servicing local markets and others focus more nationally and globally, yet all of these operate within the context of a fast changing national and global economy. We have some growing sectors spread across Devon such as digital, advanced manufacturing, agri-tech and environmental science which provide scope for a launchpad for economic growth. The digital sector locally as a whole is yet to compete nationally, or globally, although some digital businesses, especially in the Exeter area and pockets elsewhere like Ashburton and East Devon are tapping into new markets and performing well, helping to create clusters of growth and opportunity.

The skills levels of our workforce in many areas remain one of our strengths and the County is blessed with strong Further and Higher Education provision, which helps to provide the people that our employers need.

Employment levels in Devon remain very high and generally unemployment levels are historically very low and lower than nationally, despite an upturn in the unemployment claimant count across Devon since 2018, compared with many other parts of the UK.

Whilst close to full employment is welcome, Devon continues to face a number of growing labour shortages and in key skill sets. Whilst overall the employment market has seen a period of sustained growth, Devon has seen a reciprocal increase in demand for core skills.

This includes a 30% increase in demand for qualified nurses, 20% increase in the demand for skilled construction operatives, and a 20% increase in engineering and aligned vacancies in the past three years. The relative structure and demography of our workforce is also of concern, with 30% of engineers in parts of the marine industry, or 25% of existing medical practitioners due to retire in the next decade.

Devon has suffered a number of blows to its economy in the last few years with some major employers such as Appledore Shipyard; British Ceramic Tiles and Wolf Minerals closing their operations. Devon County Council has been and will continue to work closely with partner organisations to help bring back jobs in these areas and work to mitigate the effects of these closures by focusing on new opportunities. Virgin Connect (previously Flybe) also recently stated that there will be some potential loss of office-based jobs in its operation at Exeter Airport. Subsequently and at the time of going to print, Devon County Council is monitoring and engaging with partners, related to ongoing news regarding the future of Flybe/Virgin Connect and potential Government support. Within much of the retail sector, businesses are also finding trading conditions difficult, which provides a very visible cause of concern to residents using local high streets, although some smaller towns with a diverse offer combined with aesthetic and environmental appeal are holding up better, such as Totnes and Sidmouth (High Streets Vitality Index 2019).

The County's sectoral mix comes with a very differing picture in terms of the performance of the economy in different parts of the County. Labour productivity in most of Devon outside of Exeter remains low (For example, in Torridge productivity per head is just 60% of the national average whilst in Exeter it is 118%). Skills levels are generally average-to-high in much of Devon and provide a platform for growth (in some areas such as Exeter skills levels are on a par with places such as Reading and Brighton). Earnings levels are close to the national average in Exeter and both there and in East and Northern Devon have been increasing at a faster rate than nationally in recent years to begin to close the gap. Earnings however, remain very low for people working locally in Northern Devon; West Devon; South Hams and Teignbridge, where they are among the lowest in the UK.

House prices in large parts of the County remain high compared with earnings. Housing is less affordable in every Devon District when compared to the national average. In particular South Hams remains the least affordable district in Devon, requiring over 10 times the average earnings to purchase a property in the district.

Increased commuting for higher pay and to an increasing degree flexible working practises, appear to be significant factors in sometimes large wage differentials between those living in parts of Devon and working in local businesses and those living locally, but earning incomes from further afield. This is a trend which has increased since 2010. One remarkable District level trend is a rapid increase in pay in Torridge, albeit from being what was previously the lowest paid place in Great Britain (originally 372nd out of 372 Local Authority areas).

Deprivation within communities is one factor that is measured every four years by Government, with the latest iteration published in 2019. In the latest published findings it is clear that overall there are fewer neighbourhoods in Devon in the most deprived areas nationally than in 2015, but the picture is not uniform and there continue to be areas in need of additional targeting and help. At a ward level there are 18 Lower Super Output Areas (neighbourhoods) in the bottom 20% nationally. Pockets of deprivation persist, particularly in our urban settlements, but also in some rural and coastal areas. Ilfracombe for instance has one ward in the most deprived 5% nationally. Many other coastal towns also suffer from significant deprivation. Even close to areas of prosperity, for example in Exeter and Dartmouth, there are several wards which suffer from deprivation and a lack of linkages to opportunities for residents and many issues remain to be tackled.

Evidence on social mobility in Devon paints a similar picture to that of deprivation and earnings. Torridge and North Devon are the two districts where social mobility is the weakest, whilst South Hams (despite recent slow earnings growth), East Devon and Exeter do the best on this indicator. This also appears to be a commentary on accessibility and peripherality and is arguably an overarching challenge to address.

Devon County Council is currently developing its Strategy for Growth 2020-2030, which will help provide the context and framework to enable the County to capitalise on its strengths and opportunities as a launchpad for the future prosperity of our residents, businesses and communities. It will seek to achieve, working in partnership with a range of public and private sector partners sustainable and inclusive growth, responding to opportunities of moving to a low-carbon economy, and the changing way in which we will work, live and learn. The Strategy will be based on a comprehensive evidence-base and set out clear objectives, actions and measures of success.

It is clear that Devon's economy is in the process of changing, with some of these trends difficult to predict, but with patterns emerging. As a County we need to grasp the opportunities and mitigate the risks, so that our businesses and residents feel the benefits. Flexible and responsive delivery of interventions are likely to be needed to respond to some emerging challenges.

Our economic modelling suggests that Devon's economy will grow by just under 14% and we will add a further 23,000 jobs between now and 2030. These projections are based on a policy neutral scenario and do not completely factor in any changes relating to the UK policy direction in the next few years. 8 sectors that have the potential to expand over the coming years all of which are showing strong growth in GVA between 2019 – 2030.

- Digital Technologies – 43%
- Professional, scientific and technical – 40%
- Transformative Healthcare – 24%
- Tourism – 23%
- Advanced Manufacturing – 23%
- Agritech and Food and Drink - 17%
- Environmental Industries – 16%
- Construction – 9%

A variety of interventions are planned to be included within the Strategy for Growth's delivery plan to address issues identified through evidence gathered. These are expected to include delivery such as:

- Business support focused on helping small and micro-businesses, particularly those who often don't know how to ask for help, or are too busy with the day job and are in rural areas.
- Investment in strategic infrastructure to help reduce the effects of peripherality and also to support localities and sectors that are growing (examples include road, broadband and rail)
- Joined up careers support and advice that looks at the whole variety of opportunities and pathways available to young people and that supports the needs of the local labour market
- Skills and labour market interventions that upskill our workforce to be able to capitalise on new working opportunities, such as in the digital, environmental and healthcare sectors. These will also aim to help groups who are sometimes excluded, or distant from the labour market to better participate and at the same time improve their lives.

- Working with sectors such as Health, Social Care, Construction and others who experience difficulties in recruitment of staff, particularly those with skills, to find new solutions to filling vacancies.
- The Clean Growth challenge will affect every business in every sector. There are also significant market opportunities associated with a move to a low carbon economy, which we aim to help Devon's businesses capitalise upon.
- Supporting innovation and upskilling our workforce to help to ensure that Devon's economy keeps pace with global economic change helping our businesses to survive, compete and excel.
- Working with growing sectors to ensure they are able to compete and deliver benefits across our County
- Helping to ensure Devon is an attractive location for people of all age-groups to live in and work, helping to improve graduate retention.
- Ensuring Devon is an attractive location for dynamic businesses

See Appendix I for a summary of some of the additional recent evidence and data Devon County Council is using to inform its strategy and interventions and to monitor its economy.

3. Consultations/Representations/Technical Data

Not applicable. The most recently available data and evidence will be used on an ongoing basis to update and monitor the emerging Devon County Council Strategy for Growth.

4. Financial Considerations

Interventions recommended through the Strategy for Growth will be funded from a range of different sources and identified within delivery plan actions. These will, subject to approval, include the 2020/21 Devon County Council Economy, Enterprise and Skills Team Core Budget and those of external partners, including capital programme budgets.

5. Environmental Impact Considerations (Including Climate Change)

Devon's emerging Strategy for Growth identifies Devon's unique high-quality environment and recognises that climate change will have wide-ranging implications on the whole economy due to the increase in severe weather events. We also aim to include specific reference to the Climate emergency declared by Devon County Council and work in partnership with other teams within the Council.

Devon has one of the largest visitor economies in Britain, drawing in visitor spend of almost £2.5bn per year, primarily driven by the quality of its natural environment. It also recognises the essential role farmers and the forestry sector play in terms of guardianship of the environment, which in turn acts as a powerful attractive element to the visitor economy (around 69% of all visitors to Devon are attracted by its environment).

Evidence gathered from recent inward investors, have pointed to quality of life, the environment and a wide variety of activities available to residents being some of the key drivers for locating in Devon. Devon towns often score highly in surveys measuring quality of life.

The Environmental Industries sector in Devon is forecast to grow by around 16% between 2019 and 2029. Devon is also home to the highest concentration of climate scientists in the world, the County has seen a 367% increase in the number of environmental consultancies and businesses since 2010, with a 400% increase in the number of individuals working in the sector.

The County Council recognises those sectors where Devon has an opportunity to focus its efforts to provide economic benefits through investments towards achieving a low carbon economy. This is in addition to recent investments, such as in Broadband, which help towards achieving carbon reductions from transport, as well as reaping economic benefits. It also recognises that we will work in conjunction with the LEP as part of its Local Industrial Strategy to help achieve investment in clean technologies to deliver environmental improvements through technological solutions.

6. Equality Considerations

Ongoing monitoring and evidence supporting the Devon County Council Strategy for Growth will aim to ensure a broad picture of how the economy is performing for all of Devon's residents, which includes use of the most recent Indices of Deprivation 2019 and in particular also notes the significant impacts of Devon's ageing population.

As part of the implementation of the strategy we envisage no obvious impact that will disadvantage any particular group, and interventions and activities that support groups with protected characteristics will be supported through skills and employment activity as part of the related developing programme of work and activities. Where relevant, individual projects will be required to undertake an assessment of their impact on equalities, some of which is also required as a gateway-criteria to access funding.

We will continue to monitor the ongoing impact of the Strategy's proposed work programme and how this affects Devon's residents and make necessary adjustments as appropriate to ensure no adverse impacts on particular groups.

7. Legal Considerations

There are no specific legal considerations.

8. Risk Management Considerations

This proposal has been assessed and all necessary safeguards or action have been taken to safeguard the Council's position.

No immediate risks have been identified.

Where potential longer-term risks have been identified such as delivery of the Strategy for Growth in a potentially different national, or global economic environment, Devon County Council's Economy, Enterprise and Skills Team will be undertaking regular monitoring and updating of the Strategy. Should conditions change which require differing interventions, the Strategy will be updated as appropriate to reflect this.

The corporate or community risk registers have been updated as appropriate.

9. Discussion

A number of key sectoral opportunities and emerging economic trends are being explored in the Strategy for Growth, with highlights and headlines identified within this paper and appendices. These will continue to be monitored through a variety of up-to-date evidence and data, to be taken forward as interventions and actions in partnership. These will be updated in light of emerging impacts such as the recent increase in claimant count from a low base in parts of Devon and the difficulties being experienced in some town centres, partly linked to the performance of the retail sector.

10. Options/Alternatives

The alternative option is to not develop, publish, deliver and monitor actions related to a Devon County Council Strategy for Growth.

11. Conclusion

Devon's economy currently remains relatively buoyant overall, but there is a continuing need to intervene in a targeted way to help address market failure in a number of communities and sectors, which Devon County Council's Strategy for Growth will aim to achieve. We will continue to monitor the economy, including more vulnerable sectors such as retail and construction and work in partnership with other public, private and third sector organisations to help ensure economic growth benefits are shared by the County's residents and businesses. We will also work towards ensuring Devon's businesses and residents are able to share in the opportunities that emerge from growing sectors and trends, locally, nationally and globally.

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Electoral Divisions: All.

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Local Government Act 1972: List of Background Papers

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Background Paper	Date	File Reference
Nil		

**Appendix I
To EES/20/1**

Particular evidence and data to note which highlights both the state of play and the direction of travel of Devon's economy is listed below:

Earnings

Total residence based pay	2010		2019		Change 2010-19
	£	% of England average	£	% of England average	% (red below national average; green above)
East Devon	354.3	86.2	426.5	88.5	20.38
Exeter	364.3	88.6	437.9	90.9	20.20
Mid Devon	352.4	85.7	440.8	91.5	25.09
North Devon	293.8	71.5	374.0	77.6	27.30
<i>Plymouth</i>	383.7	93.3	427.0	88.6	11.28
South Hams	369.0	89.8	393.3	81.6	6.59
Teignbridge	343.1	83.5	392.9	81.5	14.51
<i>Torbay</i>	322.1	78.4	392.6	81.5	21.89
Torrige	293.7	71.4	412.7	85.6	40.52
West Devon	327.5	79.7	384.3	79.7	17.34
Devon	344.3	83.8	415.3	86.2	20.62
<i>England</i>	411.1	100	482.0	100	17.25

Total workplace based pay	2010		2019		Change 2010-19
	£	% of England average	£	% of England average	% (red below national average; green above)
East Devon	335.4	81.9	400.3	83.0	19.35
Exeter	414.9	101.3	474.8	98.5	14.44
Mid Devon	356.6	87.0	359.9	74.7	0.93
North Devon	298.6	72.9	397.0	82.3	32.95
<i>Plymouth</i>	387.1	94.5	433.1	89.8	11.88
South Hams	325.8	79.5	379.4	78.7	16.45
Teignbridge	328.9	80.3	384.3	79.7	16.84
<i>Torbay</i>	319.8	78.1	360.1	74.7	12.60
Torrige	263.3	64.3	391.7	81.2	48.77
West Devon	300.7	73.4	326.8	67.8	8.68
Devon	347.1	84.7	409.5	84.9	17.98
<i>England</i>	409.7	100	482.1	100	17.67

Sectors

We have identified the following strengths and opportunities in these growth sectors:

- Digital industries – Devon is home to one of the fastest growing ICT clusters in the UK, with the number of companies operating within the sector having grown 36% since 2010 and a 100% increase in staffing including the creation of over 2,000 new computer programmers post since 2010.
- Advanced Manufacturing – Devon’s manufacturing sector is its hidden strength. Directly employing 8.4% of the County’s workforce and contributing £1.3bn in GVA to the UK economy in 2016, this sector has grown by 22% in the past 6 years alone.
- Agri-Tech / Food and Drink - With 4 times more agricultural businesses than the UK average, and exports of both our expertise and our finished products to over 200 countries, the sector annually contributes over £750m per annum to the UK economy.
- Transformative Health Care – Devon has a large and innovative health sector, employing around 14% of its workforce (including 26,000 posts in the private sector alone), and contributing around £1bn to the national economy.
- Construction – The construction sector underpins many of the key economic opportunities likely to emerge in the next decade. Devon has a central role to play in enabling this, with 3 of the 5 largest construction firms based in and around Exeter and home to 22,000 construction operatives in total (1.2% of the UK total).
- Environmental Science – Home to the highest concentration of climate scientist in the world, the County has seen a 367% increase in the number of environmental consultancies and businesses since 2010, with a 400% increase in the number of individuals working in the sector.
- Professional Services – Exeter is the 2nd largest centre for legal and engineering services in the South West, and one of the UK’s top 25 centres for financial and professional capability. Output from the sector has grown 233% since 2010, one of the fastest rates of growth within the UK, and professional services firms are increasingly attracted to Devon’s more rural areas
- Tourism – Devon remains one of the UK’s favourite destinations, with a highly competitive environmental and coastal offer, the County attracted 24 million overnight stays from visitors from across the UK and the world in 2016, contributing £2.5bn to its economy and employing 12% of the County’s workforce. There are twice as many tourism business in Devon than the national average

Claimant count analysis – HotSW and component areas – 2018 to 2019

A recent article in the Sunday Times highlighted that within the Devon District of Teignbridge (which contains Newton Abbot), the number of people out of work and claiming unemployment related benefits has had the largest percentage increase in the year to September 2019 amongst all local authority areas in the country.

Since this article was released, further claimant count data has been released for October 2019. From September 2018 to October 2019, the percentage rate of increase for residents in Teignbridge claiming unemployment related benefits rose 129%, the claimant count rate itself, however, remains below the national average.

Within the Heart of the South West (HotSW) LEP area all Districts in Devon, plus Torbay have shown a significant increase in the level of claimants of unemployment related benefits at a faster rate of increase than nationally, which is a worrying direction of travel. Rates in Teignbridge, East Devon and Exeter have all risen particularly fast.

Rates in Plymouth and all Somerset Districts have risen much more slowly at increases below the national average. Actual claimant rates within the HotSW area remain below the national average in all Local Authority areas, apart from Torbay and Plymouth.

District	% increase Sep 18 to Oct 19	% Claimant count rate Oct 2019
Teignbridge	129%	1.6
East Devon	100%	1.4
Exeter	88%	1.5
North Devon	80%	1.8
<i>Torbay</i>	72%	3.1
Mid Devon	67%	1.5
South Hams	63%	1.3
Torridge	43%	2.0
West Devon	40%	1.4
<i>England</i>	33%	2.8
<i>UK</i>	32%	2.9
<i>Plymouth</i>	14%	3.2
<i>Somerset West and Taunton</i>	10%	2.2
<i>South Somerset</i>	6%	1.9
<i>Mendip</i>	4%	2.4
<i>Sedgemoor</i>	0%	2.7

Ward and town analysis

We have undertaken further analysis at a finer grained ward level of the claimant count to determine any particular areas, or clusters of concern.

A significant number of wards across the area, especially in Teignbridge, East Devon, Exeter, North Devon and *Torbay* have shown large increases in the claimant rate. In many, however, due to very low claimant count levels, overall rates still remain low.

We have therefore analysed those wards which have claimant count rates above the national average – all of which are a concern, highlighting those which have also experienced an increase in claimant count rates above the national average to highlight any particular areas of note.

Particular clusters of concern which have above average rates and increases are located in:

- *Torquay and Paignton (Torbay)*
- *Minehead and Williton (West Somerset)*
- Barnstaple, Ilfracombe and Bideford (North Devon and Torridge)
- Newton Abbot and Teignmouth (Teignbridge)

The rural ward of Taw Vale covering Chawleigh area in Mid Devon also appears to be an outlier, which is surrounded by areas of much lower claimant count and lower increase in claimant rates. The overall number of claimants in this ward is around 35, up from 10 a year previously. This is much lower than in some wards in *Torbay* and Exeter where numbers of claimants exceed 200.

Claimant count – wards where rate is above the national average, with year on year percentage change.

Ward	October 2019 claimant count rate %	% Change Sept 2018 to Oct 2019
<i>Bridgwater Westover</i>	7.7	8
Tormohun	6.5	51
<i>St Peter and the Waterfront</i>	6.4	7
Ellacombe	5.5	104
<i>Devonport</i>	5.5	12
<i>Bridgwater Hamp</i>	5.4	6
Roundham-with-Hyde	5.1	65
<i>Sutton and Mount Gould</i>	5.0	16
Central Town (Barnstaple)	4.9	88
<i>Frome Market</i>	4.6	7
<i>Taunton Eastgate</i>	4.6	12
Williton	4.3	65
<i>Glastonbury St Benedict's</i>	4.2	2
<i>Honicknowle</i>	4.2	14
<i>Highbridge and Burnham Marine</i>	4.2	-7
<i>Glastonbury St Edmund's</i>	4.1	21
<i>Stoke</i>	4.1	5
<i>Bridgwater Eastover</i>	4.1	-2
<i>Taunton Halcon</i>	4.1	-5
<i>Yeovil East</i>	4.0	29
<i>Bridgwater Fairfax</i>	4.0	-5
<i>Wells Central</i>	3.9	18
Ilfracombe Central	3.9	77
<i>Efford and Lipson</i>	3.9	22
<i>Yeovil Central</i>	3.9	3
Taw Vale	3.7	208
Watcombe	3.7	95
<i>Glastonbury St Mary's</i>	3.6	-12
<i>Chard Combe</i>	3.6	29
<i>Frome Keyford</i>	3.5	-5
<i>Shepton East</i>	3.5	3
<i>Ham</i>	3.5	25
<i>St Budeaux</i>	3.5	-3
<i>Bridgwater Dunwear</i>	3.5	-5
<i>Taunton Lyngford</i>	3.4	3
<i>Bideford North</i>	3.4	21
<i>Budshead</i>	3.3	6
<i>Glastonbury St John's</i>	3.2	19
<i>Wells St Cuthbert's</i>	3.2	-11

<i>Bridgwater Victoria</i>	3.2	3
Wellswood	3.1	63
<i>Frome Oakfield</i>	3.1	-21
Bushell	3.0	131
Minehead South	3.0	58
Wellington East	3.0	36
<i>Wellington North</i>	3.0	7
Blatchcombe	2.9	81
Bideford East	2.9	93
Bideford South	2.9	81
<i>Watchet</i>	2.9	26
<i>Chard Avishayes</i>	2.9	16
<i>Chard Holyrood</i>	2.9	-17
<i>Taunton Pyrland and Rowbarton</i>	2.9	-9
Holsworthy	2.9	12
St David's	2.8	100
Teignmouth East	2.8	133

We have picked out those wards below where the quantity of claimants as a proportion of residents has increased significantly and is above the national average. These also include actual numbers of claimants for reference.

Claimant count – wards in Devon where rate is above the national average, with percentage increase since Sept 2018 also above the national average.

Ward	Claimants as a proportion of residents %			Claimant count	
	Sep 18	Oct 19	Increase	Sep 18	Oct 19
Taw Vale	1.2	3.7	208%	10	35
Teignmouth East	1.2	2.8	133%	35	75
Bushell	1.3	3	131%	60	135
St David's	1.4	2.8	100%	115	240
Bideford East	1.5	2.9	93%	60	120
Central Town	2.6	4.9	88%	80	155
Bideford South	1.6	2.9	81%	60	105
Ilfracombe Central	2.2	3.9	77%	60	110
<i>UK</i>	2.2	2.9	32%	917,560	1,194,310
<i>England</i>	2.1	2.8	33%	751,880	996,325