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Overview and Scrutiny
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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 13 MARCH 2013

I am now able to enclose, for consideration at the Wednesday, 13 March 2013 meeting of the Overview and Scrutiny Board, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
5.	Economic Regeneration	(Pages 28 - 41)

Yours sincerely

Kate Spencer
Clerk

Agenda Item 5

Torbay Economy

Since the Torbay economic strategy was produced in 2010 the economic climate within the UK and across the world has remained challenging. It seems unlikely to recover quickly in the short term with commentators predicting low levels of growth, continued low interest rates and further reductions in public sector spending.

Latest data suggests that the Torbay economy remains fragile, although some indicators, such as wage levels, have improved. Availability of jobs remains and issue with job density levels indicating the proportion of jobs per employee in the Bay is significantly below average.

	Torbay	HoSW LEP	England
2006	0.73	0.80	0.80
2007	0.73	0.79	0.80
2008	0.71	0.78	0.79
2009	0.71	0.80	0.78
2010	0.69	0.79	0.78

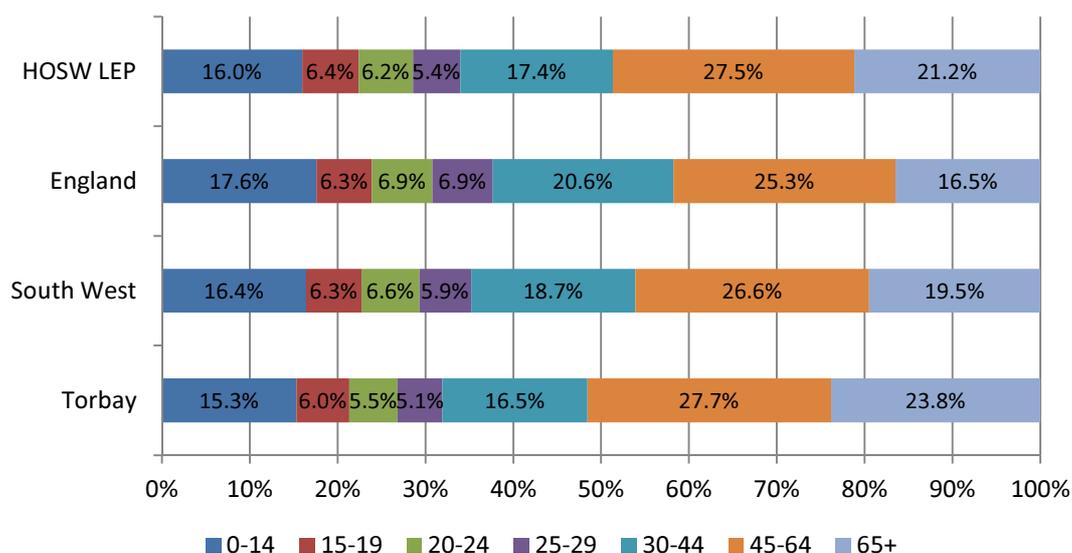
Source: Nomis, job density

The geography of Torbay shapes our economy to a large extent. Tourism related sectors account for around a third of employment and the draw of the South Devon lifestyle attracts people of all ages to relocate here permanently, often setting up small businesses within the sector.

The in migration of older people brings with it additional spending power that supports the local economy, it presents economic opportunities in the development of goods and services for that group however it also presents additional costs for the public sector particularly in respect of care costs.

Latest population estimates show Torbay is home to 134,300 people, with 52% aged 45 and over. This is significantly above the national (42%), LEP (49%) and regional (46%) averages and has an inevitable impact on income levels and healthcare provision. At the other end of the age spectrum 27% of Torbay's population are aged between 20-44, 7% below the national average. This highlights the challenge Torbay faces in retaining graduates and supports the view that many students who leave the Bay to enter higher education do not return until later in life, impacting on productivity levels.

Population estimates by age



Source: NOMIS mid-year population estimates, 2010

Using Acorn population data it is possible to make a number of assumptions about the profile of the population in and around Torbay, and the opportunities and challenges this poses to the economy. Acorn works by categorising UK postcodes using demographic statistics and lifestyle variables to build up a profile for each area which can then be compared to the national average. Using this system four dominant classifications emerge within a 20 minute drive time of the three towns in Torbay Prudent Pensioners, Affluent Greys and Blue Collar Roots around Paignton and Brixham and Prudent Pensioners, Affluent Greys and Settled Suburbia around Brixham.

% of population by Acorn classification - 2012

	Torquay	Paignton	Brixham	GB
Wealthy Executives	2.9	2.4	1.7	9.3
Affluent Greys	14.2	15.4	20.2	7.5
Flourishing Families	5.6	4.8	5.1	8.0
Prosperous Professionals	0.4	0.9	0.5	2.0
Educated Urbanites	1.4	1.2	0.6	6.8
Aspiring Singles	5.6	5.2	3.3	3.8
Starting Out	3.6	3.8	2.0	4.6
Secure Families	11.3	10.9	11.6	14.9
Settled Suburbia	8.8	10.3	14.8	5.7
Prudent Pensioners	12.7	12.4	11.5	2.4
Post-Industrial Families (Ex-Blue Collar)	7.5	6.9	4.6	4.7
Blue Collar Roots	15.9	15.1	13.9	7.5
Struggling Families	6.8	7.2	6.6	13.0
Burdened Singles	2.4	2.4	2.6	4.1
High Rise Hardship	1.1	1.1	1.1	1.8

Source: Acorn population profile, 20 minute drive time

Unsurprisingly given the demography of Torbay the dominant groups, with the exception of blue collar roots are predominately older and have a relatively high level of disposable income. Certainly when indexed against the national average the levels of prudent pensioners is significantly higher.

This information suggests that there is disposable income available to spend within the Torbay town centres, which is perhaps being spent elsewhere. The challenge remains for the economic strategy to facilitate improvements within the town centres to encourage those with income to spend it locally rather than in cities such as Plymouth and Exeter, or other local towns.

Productivity & Income

The annual release of the Gross Value Added (GVA) data each year is an important indicator of how the regional and sub-regional economy has been performing. Figures released at the end of 2012 highlight the challenges faced by the Torbay economy. GVA per head levels in the Bay are the lowest in the South West and the 4th lowest in the UK.

It is also worth noting that there has been significant revision to historical data which alters previous analysis and our understanding of past output performance – particularly at a sub-regional level. The figures for Devon as a whole (including Plymouth and Torbay) have been revised, altering the Bay’s ranking compared to the data provided in the previous strategy.

GVA per head Indexed where UK=100

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Torbay	68.3	66.9	66.2	66.6	66.7	66.9	65.3	63.5	61.3	60.9	60.5
South West	92.1	92.4	92.5	92.6	91.7	91.7	91.1	90.9	91.0	91.3	91.5
England	102.6	102.6	102.6	102.6	102.5	102.4	102.4	102.4	102.4	102.3	102.3

Source: ONS Regional GVA, December 2012 (2011 data is provisional)

Between 2009-11 headline GVA across England began to grow year on year following the impact of the recession, and productivity rates in the South West and Torbay mirrored this. Of concern however, is that Torbay’s GVA growth was slower than the regional average at 2% between 2009-10 and only 1% 2010-11. Coupled with a sharper and earlier decline in GVA between 2007-09 the result is a growing gap in productivity levels between Torbay and national average, highlighted by the steady drop when GVA per head is indexed, compared to a reasonably static figure for the South West and England.

An alternative measure is Gross Domestic Household Income (GDHI), a residence based indicator, representing the amount of money available to households after taxes, National Insurance and property costs (including interest payments) have been deducted.

GDHI per head

	2005	2006	2007	2008	2009	2010
Torbay	87.5	87.3	85.9	86.7	88.5	89.4
South West	99.6	99.5	98.8	98.9	99.4	99.6
England	101.7	101.6	101.5	101.4	101.4	101.4

Source: ONS

In 2010 Torbay’s GDHI was 89% of the UK average, compared to GVA of 61%. This suggests that the Bay is relatively better off on measures of disposable income than measures of gross output or income. The Bay was ranked 51st lowest in the UK in terms of

GDHI per head in 2010, significantly above the 6th lowest for GVA. The GDHI measure has also remained notably more constant than GVA when indexed against the UK average.

One explanation for this is that households locally benefit from the redistributive effects of pensions, taxes and benefits which are not reflected in the GVA productivity measure. High benefit claimant levels and an above average proportion of older residents suggest this could be the case and this is borne out in that three of the four dominant profile groups within the Bay are older or retired with relatively high levels of disposable income. This is something which needs to be taken into account when considering how productivity levels can be grown.

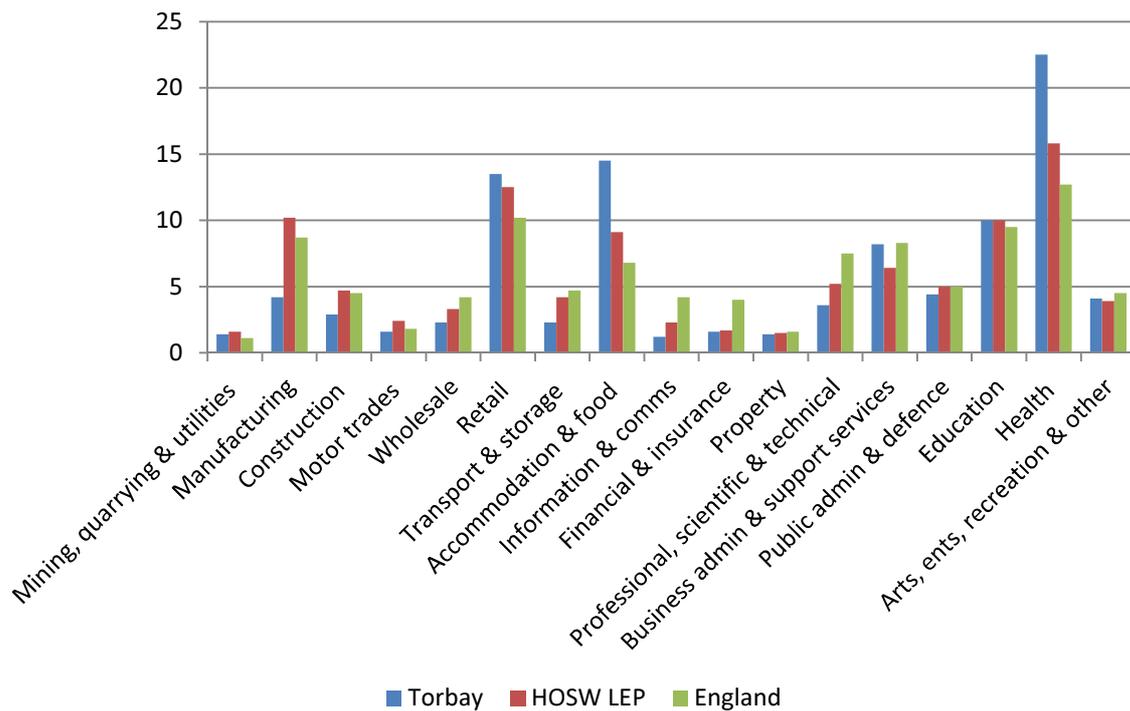
Sectoral breakdown

The Torbay economy has a number of dominant industries, the majority of which are in the public and tourism sectors, particularly health, accommodation & food and retail. According to official data Torbay has the highest proportion of people with main or second jobs in tourism industries in the UK. At 16.7% of employees this figure is nearly double the UK and regional averages of 9.1% and 9.4%¹ and means one in six people in employment in the Bay work within tourism related industries. There is a significant gap between Torbay's reliance on tourism and any other area in the South West, perhaps highlighting the need to work with other areas with a similar economic make up to share best practice and identify how best to diversify the tourism offer.

55% of Torbay's GVA comes from the public administration, education & health and distribution, transport, accommodation & food sectors and a similar proportion of the population are employed in these sectors. As shown below employment in manufacturing, construction, transport & storage, information & communication, professional and business support services is lower than national average.

¹ Source: ONS, The Geography of Tourism Employment – November 23rd 2012

Percentage sectoral breakdown by broad industrial groups – 2011

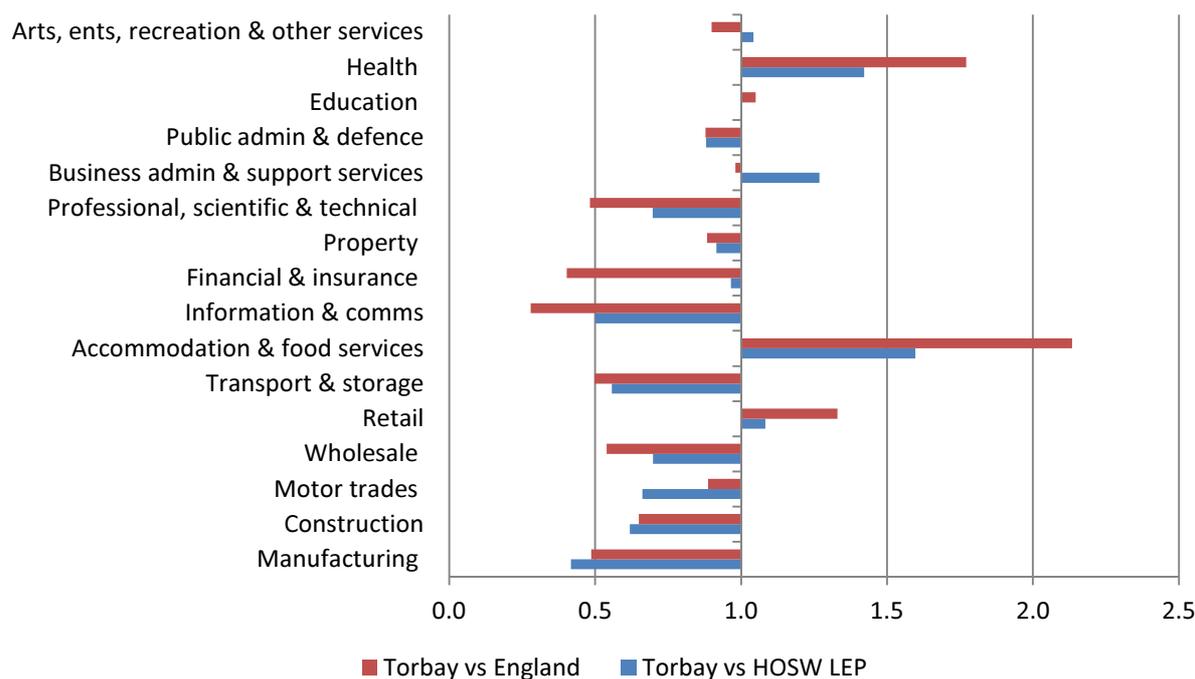


Source: BRES 2011

Location quotient analysis can also be used to demonstrate at a basic level Torbay's relative sectoral strengths and weaknesses when compared to the HOSW LEP and England. A location quotient result of higher than one indicates that a greater percentage of the region's workers are employed in an industry (as a proportion of the other industries) than are employed in the same industry at a regional or national level. This indicates that to some extent the area specialises in that industry. Below one suggests a weakness, or a below average number of people employed in that sector. As shown below retail, accommodation & food services and health are dominant compared to both the LEP and national averages demonstrating a reliance on tourism and service sector employment. It is also worth noting the above LEP average proportion of jobs within business administration.

At the other end of the scale Torbay's industry mix shows a weakness in terms of numbers of high value jobs, particularly in the manufacturing, IT and professional, scientific & technical industries. This further emphasises the challenges Torbay faces in raising GVA levels and highlights the need to create sustainable higher skilled jobs in order to do this.

Industry Mix - 2011



Source: BRES 2011

Reflecting the location quotient data between 2010 and 2011 the percentage of workers in Torbay employed in business administration and education grew more quickly than both the LEP and national averages.

Percentage change in employment by sectors 2010-2011

Industry	Torbay % change 2010-2011	HOSW LEP % change 2010-2011	England % change 2010-2011
Mining, quarrying & utilities	1.1	0.3	0.0
Manufacturing	-0.1	-0.1	-0.1
Construction	0.4	-0.2	0.2
Motor trades	0.2	0.3	0.0
Wholesale	-1.1	-0.9	-0.1
Retail	0.0	0.3	-0.1
Transport & storage	-0.2	-0.3	0.0
Accommodation & food	-1.5	-0.5	0.2
Information & comms	0.2	-0.1	0.3
Financial & insurance	0.2	0.1	0.1
Property	0.2	0.3	0.2
Professional, scientific & technical	-0.7	-0.1	0.3
Business admin & support services	2.5	0.9	0.1
Public admin & defence	-0.7	-0.3	-0.6
Education	0.9	0.3	-0.2
Health	0.4	0.7	-0.2
Arts, entertainment, recreation & other services	-1.7	-0.6	-0.2
Total	0.1	0.1	-0.1

Source: BRES 2011

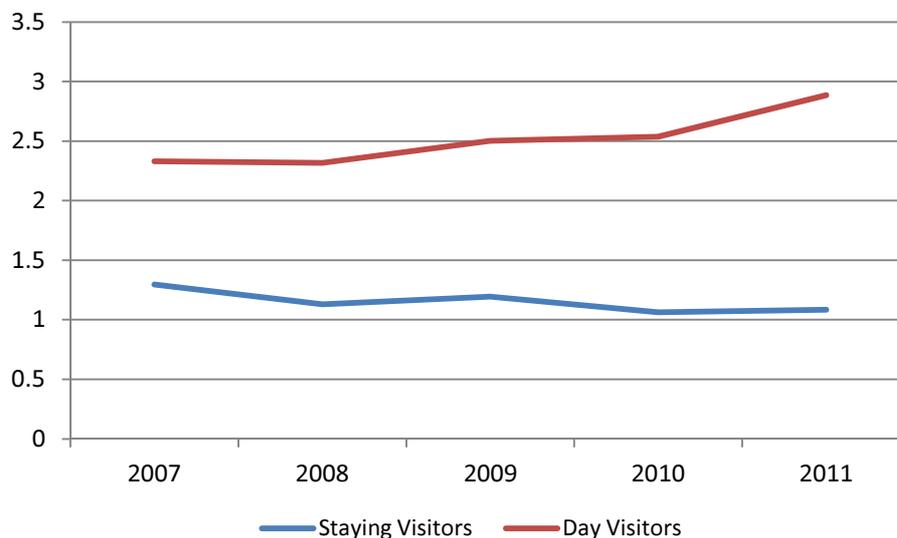
Wholesale, accommodation & food services and arts, entertainment & recreation all contracted more quickly, but still remain dominant industries reflecting the large part they play in the economic make up of the Bay. Public administration also shrank more quickly than elsewhere, suggesting the impact of public sector cuts are being felt locally.

Sectoral reliance

Given the reliance of the Torbay economy on the tourism and public sectors as set out above, the impact of these is examined in more detail below.

In 2011 the provisional estimated visitor related spend in Torbay was £365m demonstrating the value of tourism to the Torbay economy and the challenge which is faced in retaining consistent visitor numbers. Since 2007 the number of day visitors to the Bay has increased from 2.3 to 2.9 million, however staying visitors have dropped from 1.3 to 1.1 million over the same time period.

Torbay Visitor Numbers 2005-2011 (millions)



Source: South West Tourism Alliance, Value of Tourism 2011

While the increase in day visitors is positive, the steady decline in overnight visitor numbers was highlighted in the 2010 economic assessment and is a trend which appears to be continuing. Given the reliance of a large proportion of the Torbay workforce on the accommodation and food sector, this decline in overnight stays highlights the need to continue ongoing work to diversify the sector.

The Torbay economy is also heavily reliant on the public sector. This is demonstrated through a sub-regional analysis of public and private sector employment released in November 2011. 27.4 % of people working in Torbay were employed in the public sector, compared to 23% across the UK as a whole and 21.8% in the Heart of the SW LEP area.

	Public Sector Employees as a Share of Total Employees	Public Sector Employee Density	Public Sector Employment Rate	Private Sector Employee Density	Private Sector Employment Rate
UK	23.0	15.2	17.7	50.7	51.9
Torbay	27.4	16.0	17.2	42.4	50.2
HOSW	21.8	14.0	18.8	50.0	52.7

It should be noted that the earlier location quotient table suggests a different figure for public sector employment, this is because the data there disaggregates health and education rather than includes it.

Reliance on the service sectors for a large proportion of employment has also created a below average proportion of full time employment in Torbay. 42% of workers within Torbay are part time, 10% above the national average, highlighting the need to create more full time employment.

In line with the Job Centre Plus vacancy rates where the latest data showed Torbay has 4.7 job seekers allowance claimants for every job centre vacancy compared to 2.6 in the LEP area and 3.8 in England².

Number and Type of business in Torbay

In 2011 there were 4,250 active enterprises in Torbay. This is down from 4,330 in 2010.

Start ups/survival rates etc

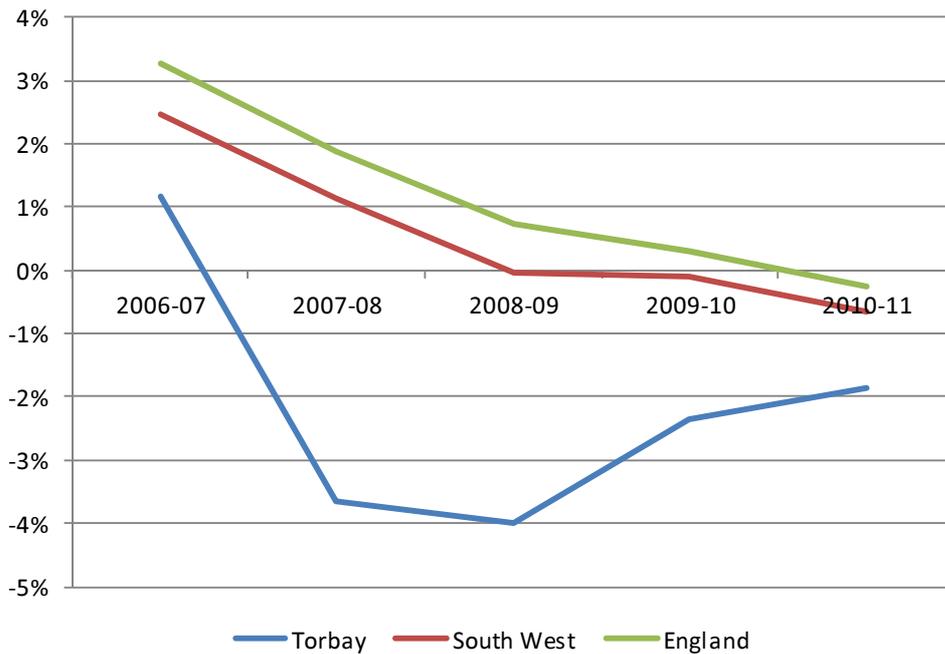
	Business Births as a percentage of total stock	Business Deaths as a percentage of total stock	Active Enterprises in 2011	Change in stock 2010-11 (%)
Torbay	9.29%	9.76%	4,250	-1.85%
South West	9.61%	9.16%	205,470	-0.66%
England	11.39%	9.92%	2,040,980	-0.26%

Source: ONS Business Demography 2011

In 2011 the proportion of business start ups in Torbay was 9.3% of the total enterprise stock, up from 8.2% in 2010. Deaths have also reduced, from 10.4% to 9.8% meaning there was a net decrease in business stock between 2010-11 of 1.85%, which, higher than the year on year decrease at both the regional and national level. This perhaps reflects the major focus on start ups being delivered through European and national resources locally.

² Job Centre Plus vacancy data, November 2012

Change in number of active enterprises year on year

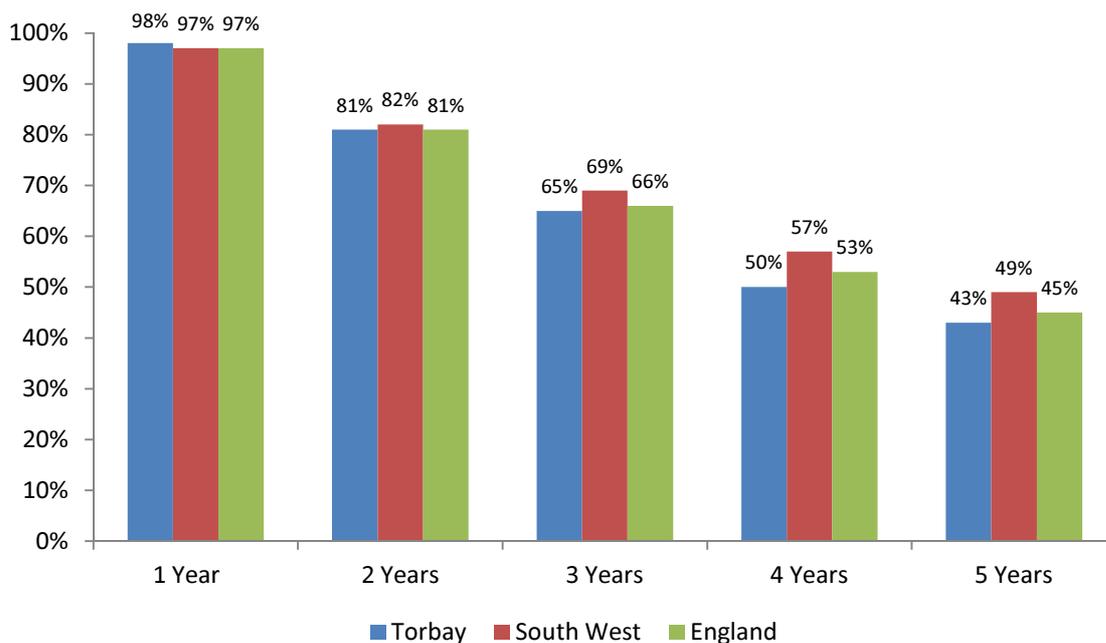


Source: ONS Business Demography 2011

More positively the number of enterprises has declined less steeply between 2007-11, meaning the gap between Torbay and the English average is shrinking rather than growing.

Survival rates for businesses in Torbay are largely in line with the national average, and above at one year, but below the regional figure. Interestingly though, 88.7% of businesses started in 2010 were still trading one year later, compared to 88.1% regionally and 86.8% in England.

Business Survival rates for 2006 start ups



Source: ONS Business Demography 2011

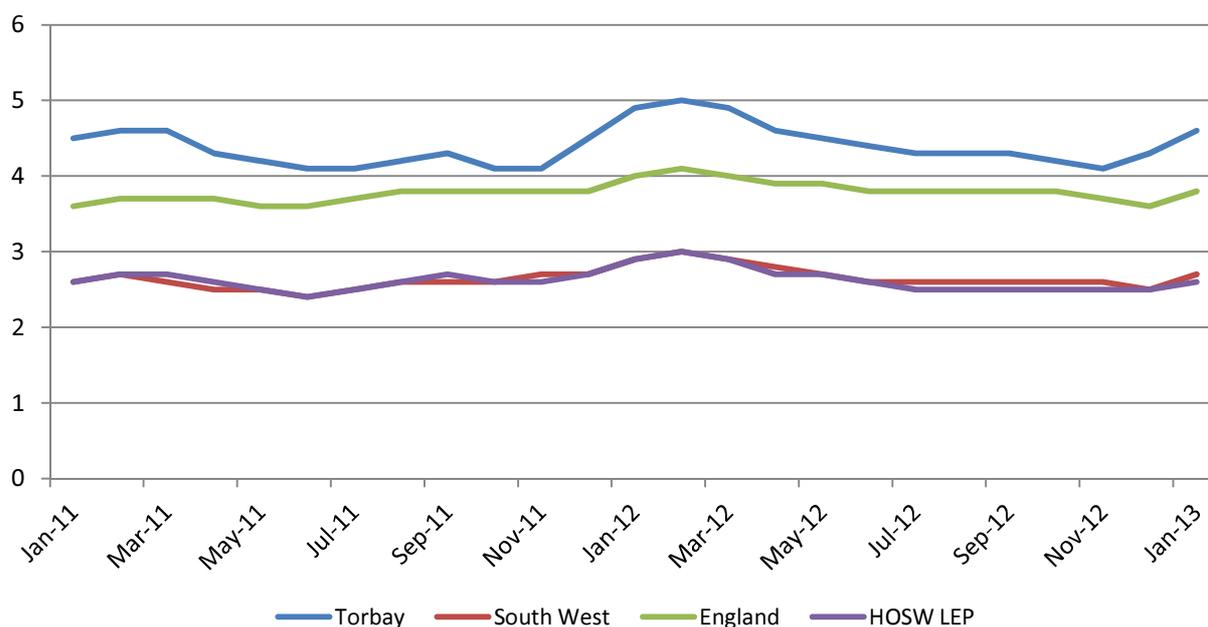
Business and employment creation is particularly important in Torbay where there is a shortage of full time employment. Job density, the number of jobs per resident aged 16-64 is currently at 0.69³, significantly lower than the national average of 0.78, while full time employment levels are also below average. 42% of workers are part time, 7% higher than the average for the South West and 11% above the national figure. This data suggests that creating full time employment needs to remain a priority if the economy is to grow.

Worklessness

Since the publication of the previous strategy, unemployment, measured through job seekers allowance claimants, has continued to run well above the average for both the South West region and the Heart of the SW LEP area. In January 2013 4.6% of the working age population were claiming JSA, compared to 3.8% nationally and 2.6% at LEP level.

The seasonal trend highlighted previously has continued, with the claimant count rising sharply in January, before reducing slightly over the summer months. While this trend is mirrored at national level it is more exaggerated in Torbay, reflecting the seasonal nature of the economy and the need to create full time, year round employment.

% of 16-64 Job Seekers Allowance Claimant Count: Jan 2011-Jan 2013



Source: ONS Claimant Count

Worklessness is a real challenge within Torbay, with 23% of working age households in Torbay having no one in employment⁴. 20% of the working age population are claiming some form of benefit⁵. This compares to 14.6% across England, and 13.4% in the LEP area.

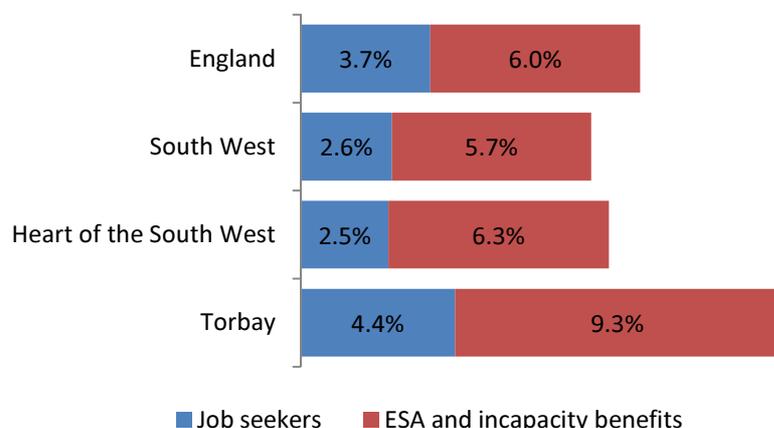
³ Source: ONS Job Density 2010

⁴ Source: Annual Population Survey 2011

⁵ Source: DWP Benefit Claimants - Feb 2012

The bulk of the claimant count is made up of 2 key out of work benefits, employment support allowance (ESA) and job seekers allowance (JSA). With claimant rates of employment support allowance (ESA) 3.3% higher than the national average this continues to be an issue.

JSA/ESA claimant count – May 2012



Source: DWP Benefit Claimants via NOMIS

Given the high number of claimants within Torbay the proposed welfare reforms may have a significant impact on residents of the Bay and therefore on the economy.

Deprivation

Although located in a predominately rural county Torbay as an urban area suffers from many of the deprivation problems normally associated with big cities. The scores within the indices of deprivation support this as the majority of deprived areas in England (98%) are located in cities. There are inequalities between different wards in the Bay, with the most deprived areas tending to be clustered within the town centres in Paignton and Torquay.

The recognised measure of deprivation, the indices of deprivation have been updated since the previous economic strategy was published, however similar methodology was used to the 2007 publication allowing trends to be observed. The number of lower super output areas within Torbay which are within the top 10% most deprived has increased gradually over time from 4 in 2004, to 10 in 2007 and 12 in 2010. This means that when compared to the rest of the region Torbay has the highest proportion of its population (14.1%) living in areas among the most deprived 10% in England⁶.

It is also worth highlighting the inconsistency between areas of Torbay, with one area of Brixham seeing an improvement between 2007 and 2010 and one lower super output area moving into the least deprived 10% of areas in England. When ranked in terms of average score within the indices of deprivation Torbay's position has slipped from 71 in 2007 to 61 in 2010, this is significantly worse than the neighbouring districts of Teignbridge and South Hams which rank 184 and 215 respectively, but more in line with the other more urban area of Plymouth (72) and Bristol (79).

Child poverty also remains an issue, with 24% of children in Torbay classed as living in poverty. This is the second highest proportion in the South West, however, given this is defined as the proportion of children living in families in receipt of out of work benefits is perhaps not surprising.

⁶ Source: *Indices of Deprivation 2010 – Deprivation in the SW, SWO Core Unit and HCA, April 2011*

Earnings

People working in Torbay earn, on average, £413 per week, while the average for residents is slightly lower at £408.

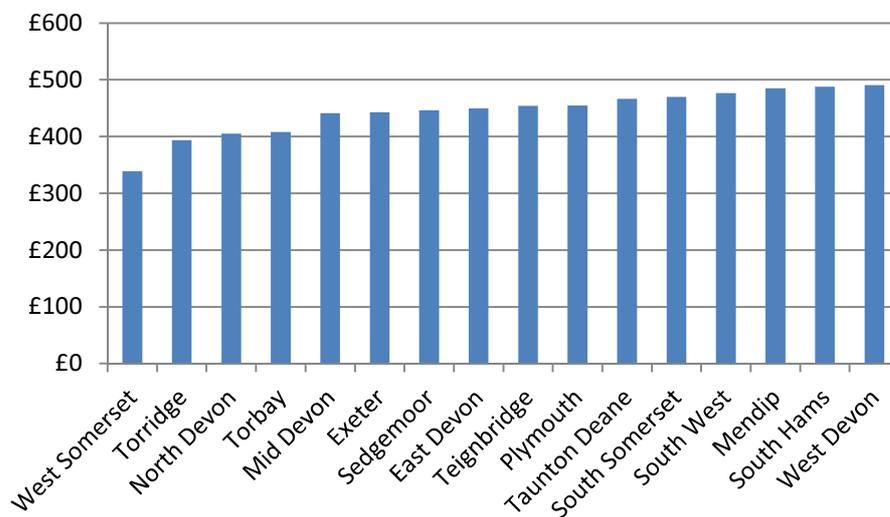
	Median Gross Weekly Pay - Resident			Median Gross Weekly Pay – Workplace		
	Torbay	South West	England	Torbay	South West	England
2008	368.5	451.9	484.5	369.0	446.9	483.9
2009	375.3	460.0	495.9	356.5	454.0	495.0
2010	371.8	468.3	506.0	378.7	460.3	504.5
2011	412.9	471.5	504.7	412.3	461.5	504.0
2012	407.9	476.5	512.7	412.9	467.0	512.1

Source: ASHE 2012, NOMIS

Between 2011 and 2012 resident wage rates decreased by 1.2% while workplace rates saw a 0.2% rise; this is compared to a 1.6% increase for both measures nationally. While there was a significant increase in both Torbay's resident and workplace wage levels between 2010-11 however it needs to be noted that data from 2011 onwards uses different classification system so care needs to be taken when making comparisons with earlier years.

Average wage rates for those living in Torbay in 2012 were £105 below the national average compared to £92 lower in 2011. This increase sees a return to the growing divide in wages between Torbay and the national average prior to 2011 and is something which needs to be monitored and addressed particularly with work beginning on the South Devon Link Road.

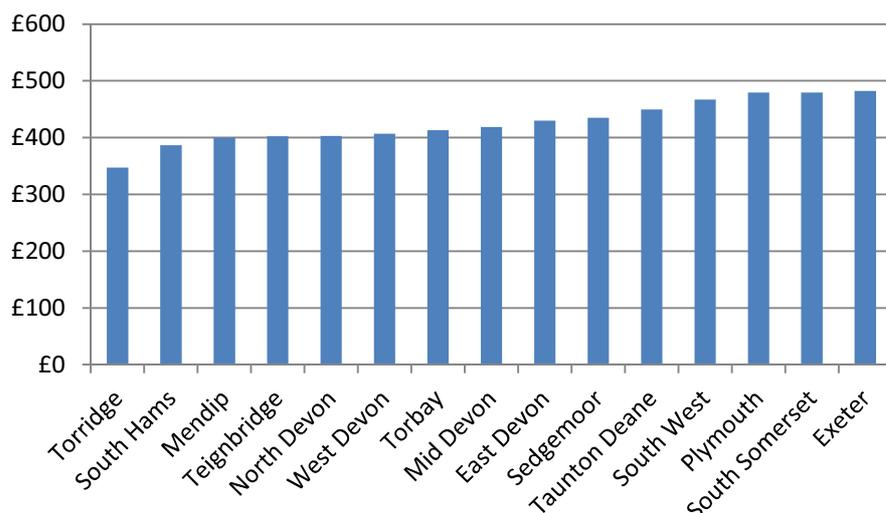
Heart of the SW LEP resident wages by Local Authority 2012⁷



Source: Annual Survey of Hours and Earning 2012

Heart of the SW LEP workplace wages by Local Authority 2012

⁷ Data for West Somerset was not available



Source: Annual Survey of Hours and Earning 2012

More locally Torbay's workplace wage levels are similar to many other areas within the Heart of the South West LEP, although they are lower than the other urban areas of Taunton, Plymouth and Exeter. Resident wage levels are noticeably higher than workplace earnings in areas such as the South Hams, suggesting higher paid workers choose to live in these areas and commute, one of the reasons Torbay's workplace wages are slightly higher than its resident figure.

Skills

Skill levels in Torbay remain above the national average at NVQ levels 1 and 2, but fall below at the higher levels.

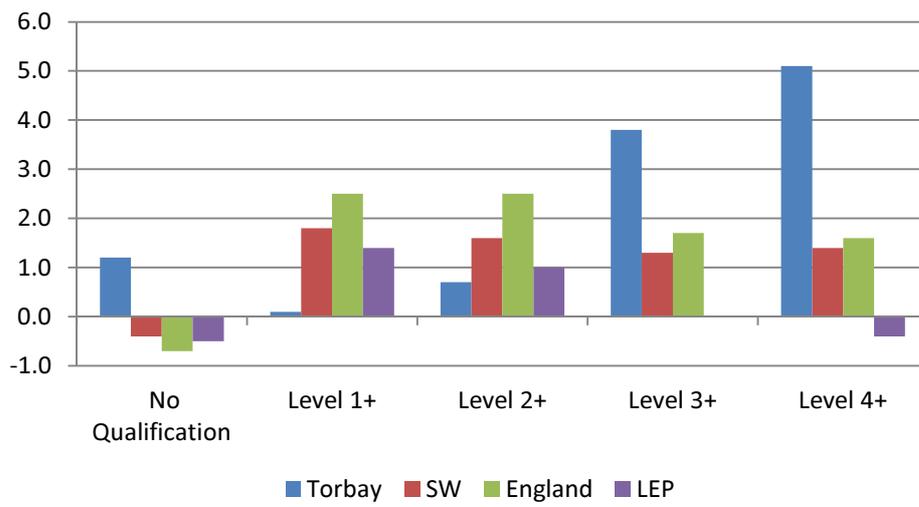
Percentage of working age population qualified to NVQ level

	No Qualification	Level 1+	Level 2+	Level 3+	Level 4+
Torbay	8.6	85.3	71	51.4	29.7
SW	8.0	86.3	72.6	54.6	32.9
England	10.4	82.8	69.5	52.4	32.7
HOSW LEP	7.6	86.8	72.3	52.7	29.8

Source: Annual Population Survey 2011

There has however been an above average growth in higher level skills, a trend which needs to continue if the Torbay workforce is to be attractive to inward investors.

Skill level percentage change 2010-2011



Source: Annual Population Survey 2011