

Devon Local Economic Assessment

May 2012



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Approved by:	Simon Pringle	Date:	May 2012
	Director		

1: Introduction

- 1.1 This document presents – in summary form – the Devon Local Economic Assessment. It is based on data and other evidence which describe Devon’s economic circumstances. The Local Economic Assessment is *not* itself a strategy – although its findings ought to be taken into account in the development of future strategy.

Background to the Local Economic Assessment (LEA)

- 1.2 Section 69 of the Local Democracy, Economic Development and Construction Act (2009) set out the requirement for principal local authorities in England to “*prepare an assessment of the economic conditions of its area*”. The new duty came into force from 1st April 2010. Accompanying statutory guidance on the content of LEAs was published on 31st March 2010¹. However, shortly after the coalition government came into power, CLG indicated that the statutory guidance for LEAs would be revoked, leaving the Duty in place but “*allowing local authorities to decide locally how they might monitor their local economy*”.
- 1.3 Against this backdrop, Devon County Council has – over the last two years – assembled a wealth of evidence and analysis that together provide the evidence base for the LEA; much of this is posted on the Devonomics website². As well as data sourced directly from ONS and the consultation draft of *Devonomics: The Devon economy at your fingertips*³, key substantive elements include, *inter alia*:
- an analysis of Devon’s performance in relation to productivity⁴
 - baseline economic projections for Devon and its districts⁵
 - a future-facing analysis of social, technological, environment, economic and political trends and drivers⁶
 - an analysis of self-employment in Devon⁷
 - a study of the challenges and opportunities linked to the transition to a low carbon economy⁸
 - in-depth economic profiles for each of Devon’s eight local authority districts.

¹ <http://www.communities.gov.uk/documents/localgovernment/pdf/1525914.pdf>

² <http://www.devonomics.info/>

³ This was published in August 2010 by Devon County Council. It is available at <http://www.devonomics.info/sites/default/files/documents/Devonomics%20Consultation%20Final.pdf>

⁴ See [http://www.devonomics.info/sites/default/files/documents/Devonomics%20-%20WP1%20-%20Devon%20-%20Productivity%20\(May%202011%20-%20Final\).pdf](http://www.devonomics.info/sites/default/files/documents/Devonomics%20-%20WP1%20-%20Devon%20-%20Productivity%20(May%202011%20-%20Final).pdf)

⁵ See <http://www.devonomics.info/documents/analysis-steep-trends-and-drivers-facing-devon>

⁶ See <http://www.devonomics.info/documents/analysis-steep-trends-and-drivers-facing-devon>

⁷ See [http://www.devonomics.info/sites/default/files/documents/Devonomics%20-%20WP2b%20-%20Self%20Employment%20\(May%202011%20-%20Final\).pdf](http://www.devonomics.info/sites/default/files/documents/Devonomics%20-%20WP2b%20-%20Self%20Employment%20(May%202011%20-%20Final).pdf)

⁸ See <http://www.devonomics.info/documents/low-carbon-economy-context-devon-economy>

- 1.4 In addition, at the start of 2012, Devon County Council generated a comprehensive and up-to-date evidence base relating broadly to the five themes which were identified in the original LEA guidance. Despite the revocation of the guidance, these retain considerable currency: economic geography; business and enterprise; people and communities; sustainable economic growth; and overall competitiveness.

Devon's economy: in overview

- 1.5 Overall, in 2009, the value of Devon's economy (measured in terms of Gross Value Added (GVA) at current basic prices) was just over £12bn⁹. In 2010, the county was home to over 30,000 active enterprises¹⁰. It accounted for approaching 300,000 employee jobs¹¹ and almost 60,000 residents were self-employed¹². Overall, in 2010, the population of Devon was just short of 750,000¹³ and the number of residents aged 16-64 (a proxy for the working age population) was slightly over 450,000; of these, some 78% were either in work or actively seeking work, and the employed population (whether employed or self-employed) numbered around 340,000¹⁴. Hence it is clear that the Devon economy is sizeable.
- 1.6 To put these numbers in context, it is useful to refer to a few comparators. In terms of headline GVA, the Devon economy is about 50% bigger than that of Somerset (which has GVA of just over £8bn) but somewhat smaller than that of Norfolk (£13bn). Devon has slightly more active enterprises than Norfolk but rather fewer employee jobs (suggesting a higher incidence of smaller businesses). Overall, Devon, Norfolk and Somerset are really quite similar in relation to activity rates.
- 1.7 However in economic terms, Devon needs to be understood also in terms of its diversity. Within Devon, there is one city (Exeter) which has a significant impact on the economic character of the Devon economy as a whole. Defined in a way that includes the wider "town area", Exeter is home to approaching 20% of Devon's resident population. Further north, west and south, Devon is overwhelmingly rural and its economic character is shaped significantly by the presence within it of two National Parks (Dartmoor and Exmoor) and extensive Areas of Outstanding Natural Beauty (in both the south and north of the county). Whereas Exeter – and smaller towns on the main road/rail corridor (A38, and the route of the Great Western Railway (from Plymouth to Exeter and on to Bristol, Reading and London)) are relatively well connected, significant areas of the county are really quite remote from major centres of population and economic activity. Peripherality – in an economic sense – is therefore a feature.

Structure and purpose of this document

- 1.8 This document draws on the evidence base described above to embellish this headline profile of Devon's economy, and to draw out the challenges and opportunities it is facing. It seeks to

⁹ ONS Regional Accounts (as at 14 December 2011)

¹⁰ ONS IDBR (Business Demography 2010)

¹¹ ONS ABI Employee Analysis, 2008

¹² ONS Annual Population Survey

¹³ ONS Mid Year Population Estimates

¹⁴ ONS Annual Population Survey

present – in a succinct and accessible manner – the overall Local Economic Assessment for Devon. It is structured into six further chapters:

- in Chapter 2, we consider Devon’s economic geography and we examine the available evidence with regard to the nature and extent of economic flows within (and beyond) the county
- Chapter 3 considers Devon’s business base and its character and performance
- in Chapter 4, we examine issues relating to Devon’s labour market and we consider its scale, character and composition
- Chapter 5 then examines issues linked to the environmental performance of Devon’s economy, recognising that this is likely to become increasingly important over the years ahead
- in Chapter 6 – drawing on a range of different evidence sources – we attempt to look ahead and distil prospects for the economy as a whole
- finally, in Chapter 7, we draw together some key conclusions; the intention is that these should inform policy-makers and others within and beyond Devon and, particularly, the new Heart of the South West Local Enterprise Partnership.

- 1.9 This document is, intentionally, succinct and accessible. Readers seeking more in-depth analysis are strongly encouraged to refer to the supporting evidence base on which the narrative is based.

2: Devon's spatial economy

Introduction

2.1 As intimated in paragraph 1.7, Devon's spatial economy is distinctive and it is difficult to understand patterns of economic performance across the county without some reference to its geography. In this chapter, we set out the spatial context for the LEA as a whole. We do so by addressing three main issues:

- the functionality and character of Devon's larger settlements and its rural areas
- the flows of people within and beyond the county
- the key place-based assets which are particularly important for the Devon economy.

Devon's places¹⁵

2.2 Overall, Devon is a predominantly rural area. At 114 residents per square kilometre, its overall population density is significantly lower than that of England as a whole (401 residents per square kilometre¹⁶). In economic terms, this means that across the geography, there are typically relatively few workers and consumers; and hence the "density" of economic activity is less than the national average. The concept of density is important because it links closely to "agglomeration". Typically, economies with significant agglomeration benefits tend to be the most competitive: their labour markets are effectively bigger, their firms can find specialist suppliers more easily, the provision of specialist financial and business support tends to be more developed, and so on. Of course, agglomeration also brings "down sides", most notably the costs of congestion. But economic theory suggests that in general, the benefits of agglomeration outweigh the disbenefits in determining the overall competitiveness of places.

Exeter

2.3 Within this context, it is important to recognise that the county has one medium-sized city: Exeter. With a core urban population of about 125,000 and a total population (including immediately adjacent settlements) of around 140,000¹⁷, Exeter is home to approaching 20% of Devon's resident population. To put this in a comparative context at the settlement (as opposed to Local Authority District) level, we need to refer back to Table KS01 from the 2001 Census. These data are now significantly out of date (and it is important to note that many medium-sized settlements (including Exeter) have seen significant population growth in the intervening decade). Nevertheless it is instructive to note that in 2001, the population of the urban area of Exeter was estimated to be 106,772; this was bigger than Bath (90,144),

¹⁵ This section draws extensively on the eight district profiles which are available on the Devonomics website

¹⁶ ONS

¹⁷ Estimates of the 2009 population provided by the PCT

similar to Cambridge (117,717) and Gloucester (123,205) and noticeably smaller than Plymouth (243,795) and Norwich (174,047).

2.4 Exeter plays a distinctive economic role within the Devon economy. Measured in relation to the Local Authority District (which has a smaller spatial footprint than the urban area), economic activity within Exeter accounts for 29% of the county's GVA and about 30% of employee jobs; however the area administered by Exeter City Council is significantly “under-bounded” in relation to Exeter's functional economic area and hence we can conclude that the real significance of Exeter as an economic hub within Devon is a good bit greater. Moreover, five more qualitative observations also need to be made:

- first, Exeter is home to many of Devon's biggest and highest profile companies; examples include South West Water, Met Office, and Stagecoach South West. Many of these are located on the city's major business parks and industrial estates which include, *inter alia*, Pynes Hill Business Park and Exeter Business Park
- second, Exeter is the hub for Devon's public sector, with Devon County Council, the Royal Devon and Exeter NHS Foundation Trust, and Devon and Cornwall Police all substantially represented within the city
- third, the University of Exeter's main campus (Streatham Campus) is located just to the north of the city centre. The University is ranked 15th nationally by the *Complete University Guide* and 9th by the *Sunday Times*. It has seen substantial investment in recent years, including in relation to the School of Biosciences and the Business School. In addition, Exeter Innovation Centre – a 4,000 sq m facility for high tech, new and innovative businesses – has been established on the Streatham Campus and occupancy levels are strong
- fourth, Exeter is a substantial retail hub. According to CACI's *2010 Retail Footprint*, Exeter is the 31st biggest retail centre in Great Britain with a catchment that extends from Yeovil in the east to Plymouth in the west and includes over one million people
- finally – as we consider in more detail later – Exeter is the hub of Devon's transport network, particularly in relation to national and international connectivity (e.g. it is estimated that there are 400,000 rail journeys each year between Exeter and London Paddington¹⁸ and Exeter International Airport, although located in East Devon district, is strongly linked to the functionality of Exeter).

2.5 In addition, it is important to recognise that Devon's spatial plans – as set out in the various iterations of district-level Local Development Frameworks – make provision for the growth of Exeter's functional economy, albeit with much of that growth being located in the neighbouring districts of East Devon and, to some extent, Teignbridge. As set out in the Consultation Draft of the East Devon Core Strategy (dated December 2011), the intention is that East Devon's West End will accommodate significant residential growth (around 7,500 new homes) and major employment development. Specifically, in economic terms, the plan is that: “*the West End will host a world class science park, a major business park, a number*

¹⁸ See <http://www.devon.gov.uk/dtlt2011-2026strategydoc.pdf> (page 40)

of new low carbon communities with mixed use housing, social, community and commercial facilities hotels, and also a major training centre for the aviation industry”.

Other urban economies

2.6 Devon’s other urban areas are generally much smaller. However they play locally important roles as market and service centres. Exeter aside, five other towns (or groupings of towns) each have a resident urban population in excess of 20,000 (according to data provided by Devon PCT and relating to 2009):

- It is estimated that **Newton Abbot** together with nearby **Kingsteinton** (and the smaller settlements of Kingskerswell, Chudleigh and Bovey Tracey) has an urban population of around 53,000. Within Teignbridge district and located to the south west of Exeter, this cluster of towns is well-placed in relation to road and rail connections and in the medium term, significant further growth is planned. Currently the economy is quite distinctive, with some significant production-based employers (e.g. Centrax Engineering (gas turbines), Hymec (aerospace)) and extraction activities (linked to ball clay deposits). However this area has faced some challenges: the loss of the agricultural campus of Plymouth University was one and for many years, the failure to secure improvements to the South Devon Link Road¹⁹ (connecting Newton Abbot to Torbay) was a second.
- **Exmouth** (together with **Budleigh Salterton** and **Woodbury**) has a resident urban population of just over 44,000. In functional terms, it has strong links to Exeter (some 20km to the north) and there are sizeable net out-commuting flows. Located at the mouth of the River Exe and in an outstanding natural setting, Exmouth and Budleigh Salterton continue to have a strong tourism industry.
- While both Newton Abbot and Exmouth are strongly linked to Exeter, **Barnstaple** (with **Fremington** and **Landkey**) – with an urban population of about 37,000 – is really quite different. Located in the north of the county, it is the principal administrative, retail and service centre for the whole of north Devon. Some 93km to the north west of Exeter, Barnstaple’s (and indeed the whole of north Devon’s) connectivity to the national transport infrastructure is quite different from that of towns further to the south: from Barnstaple, London Paddington is about 4 hours away by train (whereas from Exeter, the fastest trains reduce the journey time to just over 2 hours). In or close to Barnstaple, there are however some major industrial employers including Actavis Pharmaceuticals, Leaderflush Shapland (which manufactures high specification doors) and Parker Hannifin (precision engineering)
- **Bideford** (with **Northam**) is sited on the banks of the River Torridge (in the local authority district of Torridge) and it is essentially north Devon’s second sizeable urban area (with an urban population totalling 29,000). Historically, Bideford was a transatlantic port and its major employers (e.g. Appledore Shipyard) are consistent with this maritime heritage. However increasingly, Bideford has very close

¹⁹ Although note that plans for the Kingskerswell by-pass were included in the Chancellor’s Autumn Statement (2011) – see <http://southdevonlinkroad.co.uk/>

functional links with Barnstaple and plans for the future of the two towns are strongly interlinked.

- **Tiverton** – with an urban population of about 22,000 – is well-located in relation to the national transport infrastructure and it also has good access to both the north Devon towns (via the A361 North Devon Link Road) and Exeter (by road and rail). It is the largest settlement within the district of Mid Devon and it is a market town. It can claim some major employers, notably Heathcoats (textiles).

- 2.7 Broadly then, Newton Abbot, Exmouth and Tiverton can be seen as significant urban centres in their own right but with strong links into Exeter. Barnstaple and Bideford have strong links to each other, but otherwise need to be regarded as crucial service (and by definition economic) centres for the north of the county.

Plymouth and Torbay

- 2.8 In the south west of Devon, the dominant urban area is Plymouth – but this is administered by a unitary authority and is outside the scope of this Local Economic Assessment. The impact of Plymouth however is important, particularly in relation to the west of the South Hams and much of West Devon. Indeed, planned growth in the South Hams is strongly linked to Plymouth, most notably through the new community at Sherford. Plymouth is a larger economic hub than Exeter but it performs less strongly overall.
- 2.9 To the east of the South Hams and the south of Teignbridge is Torbay – which is a large urban area encompassing Torquay, Brixham and Paignton. The Torbay area has seen persistent economic decline for some decades as major employers have been lost (notably Nortel) and demand for traditional resort-based seaside tourism has waned. Despite its size, Torbay does not really function as a service centre for the adjacent rural areas in Devon; these are far more inclined to look north (towards Newton Abbot and Exeter) or to smaller, more proximate, urban economies (e.g. Totnes).

Devon's rural areas

- 2.10 Devon's rural areas arguably comprise “the rest” of the county. The urban areas of Exeter and the five towns described above together account for about 44% of Devon's resident population while a large number of much smaller towns (such as Totnes, Sidmouth and Okehampton) together account for a further 22%. The remainder of the resident population lives in villages and hamlets. This includes people living on Dartmoor and Exmoor, and in the various Areas of Outstanding Natural Beauty.
- 2.11 The economy of these areas is important for Devon as a whole and typically, self-employment is a prominent feature, together with large numbers of micro businesses. Some of these areas are well connected to urban centres and some really are not; in this context, the relationship to the principal transport corridors is important – particularly the M5/A38 (which runs (within Devon) from the east of Tiverton, via Exeter and Ivybridge to Plymouth); the A30 (located to the north of Dartmoor and running from Exeter to Okehampton and (in Cornwall) Launceston); and the A361 (from Tiverton and the M5 to Barnstaple in the north). The map below provides an indication of the location of the principal transport corridors.

Figure 2-1: Devon's spatial economy



Source: Devon County Council

Devon's economic flows

- 2.12 Within this overall spatial context, it is important to understand something of the economic flows that underpin – and to some extent structure – the Devon economy. These are intrinsically difficult to measure, but two different perspectives are useful.

Flows of workers

- 2.13 The best available data on commuting patterns are from the Census, but at the time of writing, data from the 2011 Census have yet to be released. More recent sample surveys – from the Annual Population Survey – provide some indication of change, but they are prone to sampling error and they are much less accurate.
- 2.14 From the available data, the following observations are important:
- Overall, just under 90% of Devon's working residents have workplaces within the county. The proportion of workers (for employers based in Devon) that are resident in the county is similar. Neither of these headline figures changed significantly between 2001 and 2008

- At the county level, the only significant change in terms of flows of in- and out-commuters between 2001 and 2008 was that linked to out-commuting to Torbay. This fell significantly between the two years, hinting at the increasing relative weakness of the Torbay economy
- Amongst the Devon districts, the highest levels of resident-based self-containment are seen in Exeter and North Devon. Exeter has the lowest level of workplace-based self-containment which again signifies the city's "draw" to workers living elsewhere. The districts whose employers are most likely to employ their own residents are East Devon, North Devon and Teignbridge, all of which have larger towns within their territories. Net in-commuting is a significant feature of the two districts without sizeable towns which abut Plymouth: South Hams and West Devon.

Earnings

- 2.15 From the earnings data, we can make some important observations on the relationships between housing and labour markets.
- 2.16 On a workplace basis, earnings in Devon as a whole (£420) are low relative to those for Cumbria (£457), Norfolk (£452) and Somerset (£442), and they are much lower than the England average (£507 – although note that this is distorted by London); this observation is important and it relates fundamentally to the area's performance on measures of productivity. But there is, in addition, substantial variation within the county. Employers in Exeter pay the most (£475); while those in the remote rural districts of West Devon (£363) and Torridge (£336) pay the least.
- 2.17 However workplace-based earnings are only part of the picture. In some districts – most notably the South Hams – residence-based earnings (£503) are significantly higher than the workplace-based figures (£401). This points to the impact of commuting. In the South Hams – with its outstanding natural environment and (in the north of the district) good connectivity (including to Exeter and London) – housing is expensive and those that can afford to buy it generally rely on salaries earned elsewhere. The district in which the two measures of earnings are most similar is North Devon – reinforcing the observation above relating to its self-containment. Conversely, the residents of Exeter earn a good deal less than the workers (£440 compared to £475). The inference is that Exeter's higher paid jobs are generally taken by in-commuters who live elsewhere²⁰.

Devon's place-based assets

- 2.18 Devon's urban economies – as concentrations of economic activity – need to be seen as place-based economic assets and the future of the Devon economy will depend to an important extent on them. However they are not the only consideration in relation to Devon's spatial economy.
- 2.19 Devon's complement of research institutions is seriously important, particularly against the backdrop of global competitive processes and the significance of knowledge-based activity.

²⁰ All of these figures relate to median gross weekly earnings for full time employee workers. The data are the averages for three years (2009/11). They have been sourced from the Annual Survey of Hours and Earnings

Within this context, reference has already been made to the strength of the University of Exeter and the investments linked to it. Beyond that, however, Devon has seen some important losses in recent years, generally within the wider context of institutional restructuring and rationalisation – the agricultural college has gone from Seale Hayne, Rolle College has closed in Exmouth and Dartington College of Arts merged with University College Falmouth.

- 2.20 An asset that remains tremendously important to Devon – if difficult to quantify in straightforward economic terms – is its natural environment. The two National Parks are of the highest environmental quality and both are a considerable magnet for tourism and leisure. In addition, the coastlines of north and south Devon – although different in character from each other – are outstanding resources which underpin a vibrant leisure sector. More generally, Devon’s land-based assets underpin a strong agri-food sector which, despite continual restructuring and reinvention, remains an economic mainstay. And increasingly those assets are being re-purposed in the context of demands for sustainable energy production.

Conclusion

- 2.21 The spatial economy of Devon is diverse and differentiated. The assets within it and the flows around and between them provide the essential canvass for its economic performance and prospects. These “economic contours” define the environment in which businesses operate; labour markets function; and Devon’s communities live. We turn to these different dimensions of Devon’s economy in the chapters which follow.

3: Business and Enterprise

- 3.1 Across Devon as a whole, there are currently in excess of 30,000 active enterprises. These economic “units” are collectively the “engine” of Devon’s economy: the wages they pay and profits they generate account for the lion’s share of the county’s GVA and, other than for those who are self-employed, it is these enterprises that shape the careers and determine the opportunities available to the county’s economically active residents. It is therefore important to understand them fully.

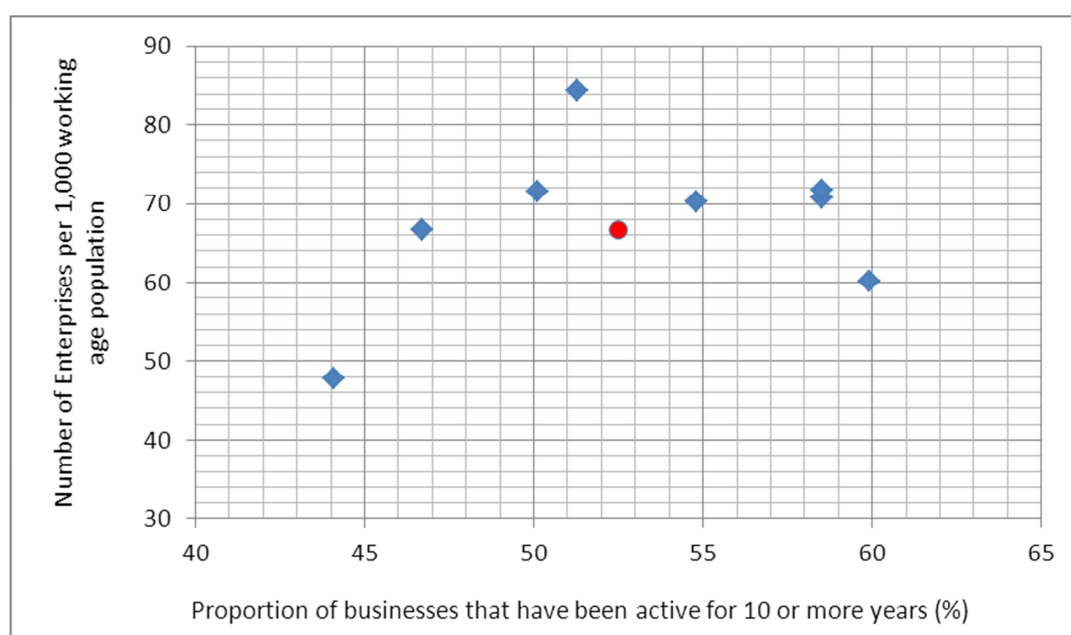
Devon’s business demography

- 3.2 Overall, across Devon, the vast majority of active enterprises are small: over 75% employ less than five people, a proportion that mirrors the situation across England as a whole and within comparator economies such as Norfolk and Cumbria. What is a bit different is the low incidence of larger enterprises: in Devon, the proportion employing 10 or more staff is just under 10% whereas across England the proportion is over 11%. While the differences are slight, they are important, for larger enterprises have a distinctive role in relation to an economy’s overall performance on GVA and productivity.
- 3.3 Within Devon, the Local Authority District with the greatest number of active enterprises is East Devon (which, as noted in Chapter 2, is functionally linked to Exeter, particularly in its west) and the districts with the fewest are West Devon and Torridge in the west of the county. Beyond this, two metrics of business demography are noteworthy in terms of economic character at a district level: the size distribution of enterprises and the density of enterprises in relation to the population of working age. The following observations are important:
- At district level, Exeter has the lowest proportion of small enterprises and the highest share of large ones. It also has the lowest incidence of enterprises per person of working age. Its business demography is really quite different from all other districts, reflecting its under-bounded, city centre, character
 - By some margin, the district with the highest density of enterprises (measured in terms of active enterprises per head of working age population) is South Hams. However apart from Exeter, every district in Devon has more enterprises per head of working age population than the average across England
 - The proportion of enterprises employing fewer than five people is especially high in districts which lack a sizeable town, notably West Devon and Torridge. These are also the districts with the highest prevalence of self-employment. The inference is that the incidence of micro businesses is especially high in these more rural areas.
- 3.4 Broadly speaking, an analysis of the available data suggests overall stability within the business base in Devon, certainly as compared to elsewhere. Hence while business birth rates have consistently been two or more percentage points below the national average, survival rates have been correspondingly higher. Data from the IDBR (Business Demography)

suggest that among enterprises formed in 2005, 48% of those in Devon were still in existence five years later compared to about 44% nationally. Correspondingly, Devon's businesses are typically a good deal older than the national average: over 52% of businesses in Devon have been in existence for more than 10 years compared to 42% of those across England as a whole.

- 3.5 Digging beneath the county scale, we must again take note of substantial local variation. The graphic below plots Devon (as a whole) and all of its districts in terms of the proportion of businesses aged 10 years or more (horizontal axis) and the business density (vertical axis). In West Devon, Torridge and Mid Devon, approaching 60% of businesses are more than 10 years old; the corresponding figures for Exeter and Teignbridge are around 45%. Broadly, those districts that are on or close to the main transport arteries appear to have much more "churn" within their business base. However data on business density point more to urban/rural contrasts: as noted above, Exeter has a far lower level of business density than anywhere else, whilst the highest level of business density is seen in South Hams, a district without any sizeable settlement. The combination of accessibility and rurality does then appear to be important in understanding the business community – and crucially, it is important to recognise that *both* dimensions seem to be significant.

Figure 3-1: Business density and business longevity in Devon and its districts, 2010



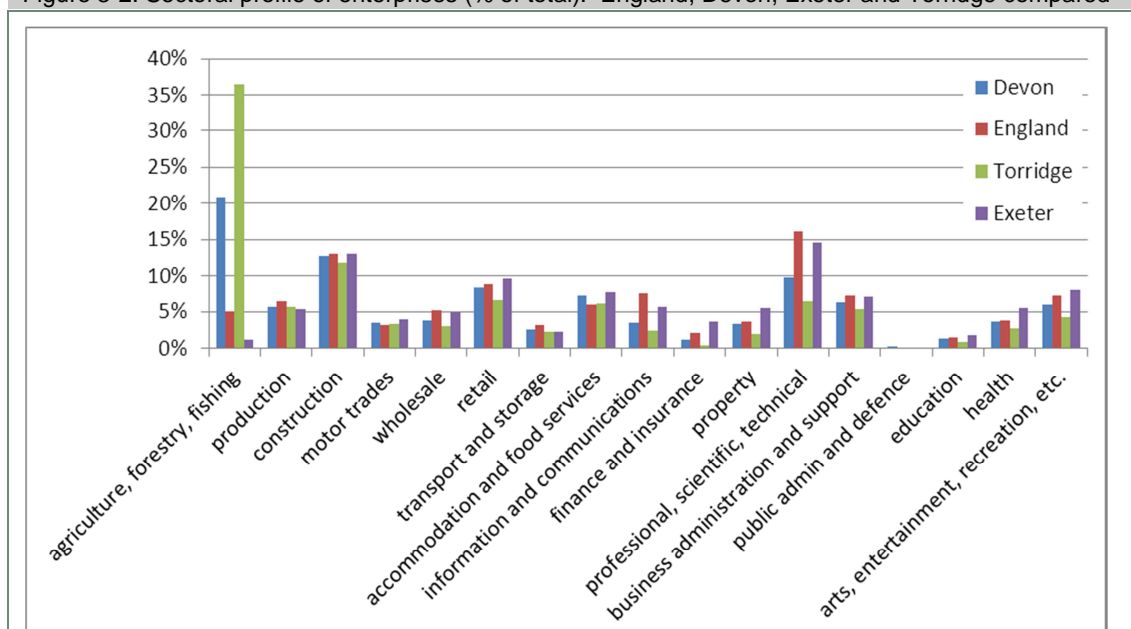
Source: SQW, based on data from ONS IDBR, 2010

Sectoral profile

- 3.6 Data on the sectoral profile of an economy need to be viewed from two vantage points: the sectoral distribution of enterprises, and the sectoral distribution of activity (which can be proxied in various ways, including through reference to employment). In Devon these different perspectives yield quite different results.

- 3.7 The graphic which follows shows the **sectoral distribution of enterprises** for Devon as a whole, England and then for Torridge and Exeter; these have been chosen illustratively because they represent the extremes in terms of urban/rural and accessible/remote. Devon's largest sector – measured simply in terms of the number of enterprises – is actually “*agriculture, forestry and fishing*”; this sector accounts for over 20% of the total (which is roughly four times the England-wide figure). In some districts – notably Torridge, West Devon and Mid Devon – the proportion is even higher (i.e. above 30% in all cases) whereas in Exeter it is much lower. “*Construction*” is Devon's second biggest sector, but here there is much less variation between the two districts (shown in the graphic) and the county and national pictures. In proportionate terms, Exeter's biggest sector appears to be “*professional, scientific, technical*”, but its share of the total is lower than across England as a whole; the same is true of “*business administration and support*”. Consistent with its role as a service centre, Exeter has relatively more enterprises in “*retail*”, “*health*”, “*education*”, and “*arts, entertainment, recreation, etc.*”.

Figure 3-2: Sectoral profile of enterprises (% of total): England, Devon, Exeter and Torridge compared

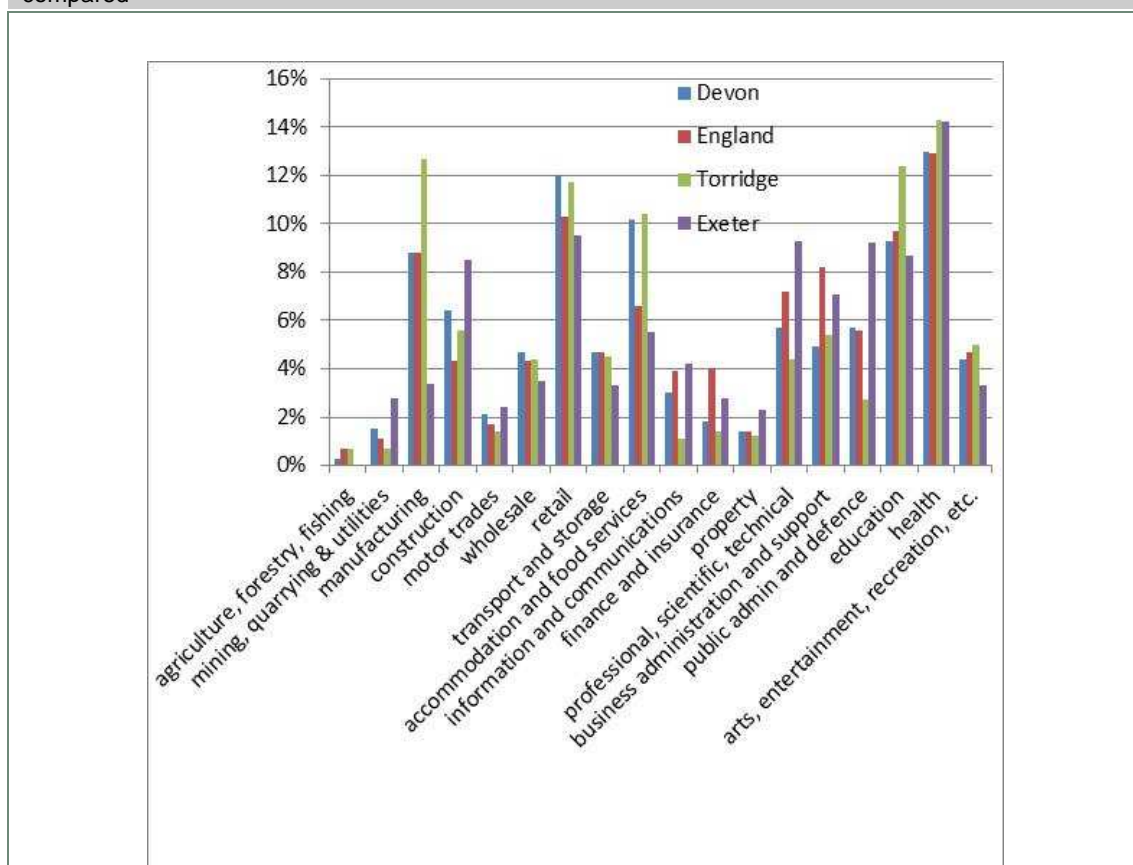


Source: SQW, based on data sourced from IDBR, 2010

- 3.8 The difficulty with Figure 3-2, however, is that it provides no insight at all in terms of economic significance: an enterprise employing one person counts as one observation and the Met Office counts as a second, yet the latter is much more significant than the first. Hence we need also to consider the **sectoral distribution of jobs**.
- 3.9 To this end, we need to draw on a different dataset, namely that deriving from the Business Register of Employment Survey (which provides data for 2010). Although the sectoral classification is not identical, the picture reported in the diagram below is clearly quite different from Figure 3-2: even for Torridge, the proportion of employee jobs in “*agriculture, forestry and fishing*” is – according to BRES – less than 1%²¹. Conversely, the biggest source of employee jobs in Devon, England and the two districts is “*health*”.

²¹ Note though that there are issues linked to BRES's treatment of jobs in this sector. The actual proportion is likely to be somewhat higher

Figure 3-3: Sectoral profile of employee jobs (% of total): England, Devon, Exeter and Torridge compared



Source: SQW, based on BRES 2010

3.10 Relative to England, the sectors which stand out as disproportionately important in Devon are “*mining, quarrying and utilities*”; “*construction*”; and “*accommodation and food services*”. Conversely, the sectors which are under-represented within the county relative to England appear to be “*agriculture*”²², “*financial and insurance*”, “*professional, scientific and technical*”, and “*business administration and support services*”. This sectoral profile is important. Generally speaking, the sectors which are under-represented in Devon are those that typically command higher salaries and/or contribute materially to the competitiveness of the economy as a whole.

3.11 Relative to Devon, the sectors which stand out in the two indicator districts are:

- In Torridge – “*agriculture*”, “*manufacturing*” and “*education*”
- In Exeter – “*mining, quarrying and utilities*” (probably because of the location of various utilities companies’ HQs); “*financial and insurance*”; “*property*”; “*professional scientific and technical*”; and “*public administration and defence*”

Again, this points to the differences between Torridge’s overwhelmingly rural location and the city of Exeter which – as we saw in Chapter 2 – is playing a key service function for Devon as a whole, and indeed for the area beyond.

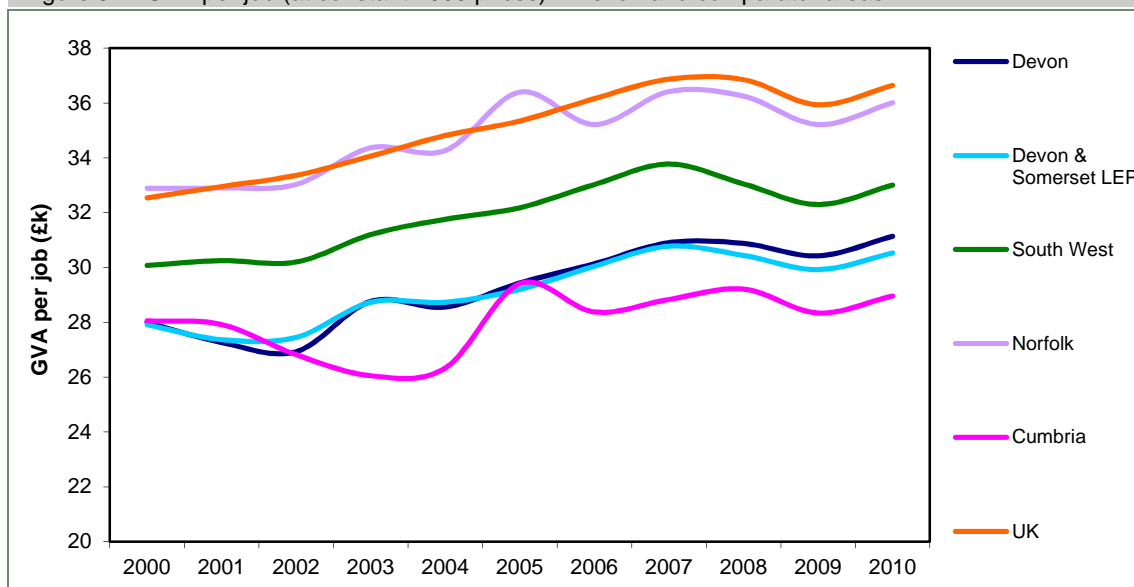
²² Note that the apparent under-representation of agriculture is a statistical anomaly. The Annual Population Survey provides a better measure of agricultural activity – including in relation to self-employed workers. From that source, Devon has a location quotient of 3.9 for this sector relative to England

- 3.12 A final, important perspective, on the sectoral structure of Devon's economy can be gleaned by considering employee jobs in the "knowledge economy"²³. Overall 46% of Devon's jobs are in the knowledge economy; this compares to 53% across England as a whole. Within Devon, Exeter has the highest incidence of knowledge economy employee jobs and it is the only district where the proportion is higher than the England average. For Mid Devon and West Devon, the proportion of knowledge economy employee jobs is below 40% of the total – thirteen or more percentage points below the national figure.

The performance of the Devon economy in terms of productivity²⁴

- 3.13 In work commissioned especially for the LEA, Cambridge Econometrics (CE) estimated that Devon's productivity (measured in terms of GVA per job at constant 2005 prices) was £31,100 in 2010. This compared to a national average of £36,600 and it was also some way adrift of various key comparators (see Figure 3-4). CE's analysis suggested that since 1990, productivity in Devon had increased by 1.6% pa, but that this was some 0.2pp pa behind the UK. Over this twenty year period, the productivity gap with the UK widened from 88% of the UK average to 85%. Simply put, over this two decade period, Devon became, relatively, a less productive (and, therefore, competitive) place.

Figure 3-4: GVA per job (at constant 2005 prices) – Devon and comparator areas



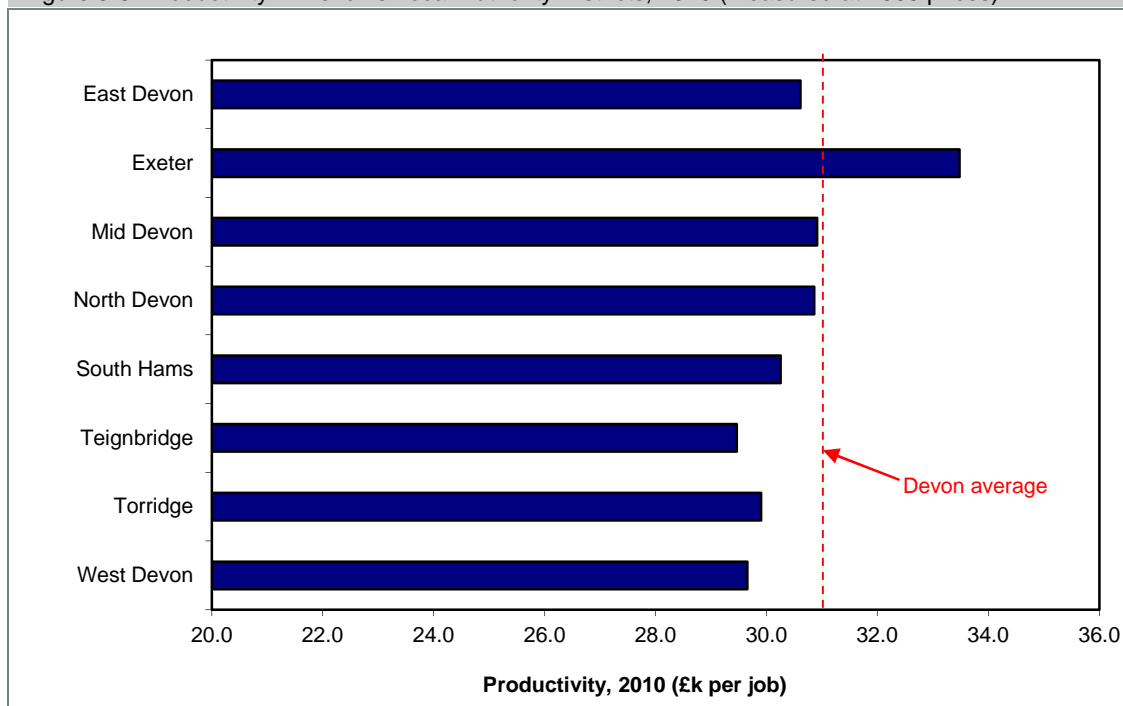
Source: SQW analysis of CE data

- 3.14 CE's analysis also confirmed that productivity varied considerably spatially, ranging from £33,500 per job in Exeter (LAD) to £29,500 in Teignbridge. Indeed, only jobs in the Exeter LAD were more productive than the Devon average (of £31,100).

²³ Defined using the approach developed by Eurostat

²⁴ The full report from which this section is distilled is available at [http://www.devonics.info/sites/default/files/documents/Devonics%20-%20WP1%20-%20Devon%20-%20Productivity%20\(May%202011%20-%20Final\).pdf](http://www.devonics.info/sites/default/files/documents/Devonics%20-%20WP1%20-%20Devon%20-%20Productivity%20(May%202011%20-%20Final).pdf)

Figure 3-5: Productivity in Devon's Local Authority Districts, 2010 (measured at 2005 prices)



Source: SQW analysis of CE data

3.15 The data available to explain these place-based differences in productivity are limited, partly because some of the data are not produced at fine-grained levels of disaggregation, but also because data are not sufficiently robust to use at this level (due to small sample sizes, unreliability linked to high confidence intervals). Nevertheless, our analysis found that the differences in the sectoral composition of each district's economy (reported above), and performance against the "drivers of productivity" were consistent with these observations. For example:

- Jobs in Exeter generated the highest level of GVA per job of all LADs in Devon (8% higher than the Devon average) and as we saw in paragraph 2.16, they also commanded the highest (workplace-based) earnings. Even though Exeter has a high share of jobs in public admin/defence and other business services, which are lower productivity jobs (although the data on earnings and occupations suggests the functions undertaken in Exeter might be at a higher level), the share of jobs in construction is also high (which has a higher level of productivity per job). Exeter is home to a large share of Devon's high productivity sectors (e.g. banking and finance, insurance, gas and water), although these account for a relatively small share of all jobs in Exeter. Exeter also has a low share of lower level occupations, an above average share of people qualified to NVQ Level 4+, and a higher share of employees working in knowledge-intensive businesses.
- Jobs in Teignbridge are least productive of all districts in Devon. Here, key sectors for employment are other business services and (where productivity is low absolutely, and low relative to the UK average in both sectors), agriculture (very low productivity), and education and health (low productivity). The proportion of employees working in knowledge-based sectors is also lower than the Devon average. The productivity of jobs in Torridge is also low. In part, this is because of the

sectoral mix, but in Torridge, a high share of jobs are in lower-level occupations (which is consistent with the low average workplace earnings reported in Chapter 2) which deflate the GVA generated. Furthermore, Torridge under-performs compared to the Devon average in terms of skills, enterprise and innovation.

Conclusion

- 3.16 Devon's economy is differentiated. Overall – “on average” – it performs less well than the England-wide figure in terms of productivity, but underpinning this, there are some significant variations. The more rural, and especially the less accessible, areas have a different business demography than those areas of the county that are more urban: it is more stable, but also less dynamic, from that elsewhere and its sectoral profile is also different. Everywhere, other than perhaps Exeter, Devon's businesses tend to be small and this mix of circumstances tends to mean that Devon as a whole is some way adrift on most measures of competitiveness.
- 3.17 This is confirmed by the findings of the UK Competitiveness Index (UKCI). This takes a range of output (such as productivity) and outcome (such as gross weekly pay) factors, together with various input factors (e.g. business start-up rates per 1000 population). It then ranks local authority districts from 1 (best) to 379 (worst). The findings from the UKCI for Devon districts in 2010 are summarised in the table below.

Table 3-1: Ranking of Devon's districts on the 2010 UKCI

District	Rank (of 379, where 1 is best and 379 is worst)
East Devon	288
Exeter	113
Mid Devon	212
North Devon	222
South Hams	180
Teignbridge	252
Torridge	348
West Devon	211

Source: Robert Huggins Competitive Index 2010

- 3.18 One key element of the UKCI which we have yet to consider in detail relates to human capital (in terms of skills and qualifications) and the labour market. It is to this which we turn in Chapter 4.

4: People and communities

4.1 The issue of “people and communities” is a crucial element of any LEA for it captures an area’s human capital and, implicitly, it says much about growth prospects. In this chapter, we consider four main aspects of people and communities:

- Devon’s overall demography
- patterns of labour market participation: employment and activity rates
- the skills and qualifications of Devon’s residents
- the well-being of communities in Devon.

Devon’s demography

4.2 Overall, in 2010, Devon was home to just shy of 750,000 people. Twenty years earlier, the population had been 655,200 and hence recent decades have seen substantial population growth. This picture is true of England as a whole – although the rate of population growth in Devon has been somewhat faster than the national average. The principal cause of population growth within the county has been net in-migration.

4.3 Within this overall context, the pattern of growth has varied at a district level. Every district has grown, but the change between 1990 and 2010 ranged from +6.4% in North Devon to +25.1% in Torridge. In absolute terms, the district which saw the greatest population increment was Teignbridge (+18,600) followed by Exeter (+16,200). In addition, the age structure of Devon’s population has changed markedly:

- Between 1995 and 2010, the number of young people in Devon (aged 0-15 years) actually fell by 0.5%. At a district level, the biggest falls in this age group were in South Hams (-9.3%) and Exeter (-7.7%) whereas Mid Devon saw growth of 9.0%. This reflects, presumably, the availability of more affordable housing for families with children, with significant growth in the likes of Tiverton
- Between 1990 and 2010, the number of people aged over 65 increased by over 22% (compared to a growth of 14% nationally). Again there were variations at a district level. While all districts saw growth, the greatest change was in Torridge (+47.1%) and the smallest was in Exeter (+8.8%)
- Between 1990 and 2010, the number of people aged over 85 increased by 68.9%. Although this figure is large, it is actually very similar to the national average and some comparator areas have actually seen much faster growth in the “old old” (e.g. the number of people aged 85+ increased by 92.5% in Norfolk).

4.4 Putting these observations together, it is apparent that districts have varied substantially in terms of the scale of growth in their working age population: the inference is that Exeter has seen growth relative to elsewhere. More formally, this can be expressed in terms of

“dependency ratios” (i.e. the ratio of those aged <16 or >65 to those of working age). By 2010, the district with the highest dependency ratio was East Devon (77%). Most other districts had dependency ratios of between 60% and 70% but in Exeter, the figure was much lower, at 44%. Taking into account changes over the last 20 years, the implication is that Exeter has become more of a hub for people of working age, with relatively little growth of older or younger people.

Activity and employment rates

- 4.5 In terms of economic capacity and potential, this demographic change is important. The implications of it are seen in measures linked to both activity and employment rates. As the table below shows, Exeter is the best-performing district on both measures. In some respects, this is surprising: Exeter is home to a major university and quite often, this can deflate activity and employment rates (as people of working age are in full time education). On both measures, the worst performing districts are Torridge and West Devon; these are overwhelmingly rural areas and for the most part, they are relatively poorly connected to the national transport infrastructure. As we saw in Chapter 2, they also tend to be the districts which score poorly in terms of earnings while Chapter 3 confirmed their lowly ranking on the UKCI (particularly in respect of Torridge).

Table 4-1: Activity and employment rates (16-64), 2008/09-2010/11 average

District	Activity rate	Employment rate
East Devon	78.4	72.7
Exeter	81.5	76.7
Mid Devon	80.5	74.2
North Devon	79.8	75.4
South Hams	77.7	74.9
Teignbridge	79.0	74.5
Torridge	76.6	68.3
West Devon	72.9	71.4
Devon	78.4	73.9

Source: APS

- 4.6 Digging further into these data, some really quite important insights can be gleaned. In Devon as a whole, 16.1% of men aged 16-64 are economically inactive (compared to 16.9% in England). This means that they are neither in work nor seeking work. Within West Devon, the proportion of economically inactive men however is almost 25% (whereas in Mid Devon it is 11.7%). From the data, it is impossible to pinpoint the causes of male inactivity in West Devon – but at nearly a quarter of the total, it ought to be a concern.
- 4.7 Patterns of unemployment can be measured in a number of different ways: ILO estimates include all those actively seeking work and arguably this is a better measure than those claiming out-of-work benefits, but data relating to the latter are published more reliably. Overall, some 2.4% of Devon’s working age population was claiming Job Seekers Allowance

in January 2012. Although this proportion has risen since 2008, it is a good bit lower than the national picture (4%). Within Devon, the highest JSA claimant count rates are currently seen in Torridge (3.1%) and North Devon (2.9%) while the lowest are in South Hams (1.9%). Overall, 32.3% of claimants are aged 18-24; this proportion is higher than the national average (29.9%) and it is especially high in North Devon (35.5%).

Skills and qualifications

- 4.8 Across Devon as a whole, skills and qualification levels – which provide a reasonable proxy for the “quality” of the available labour supply – are broadly similar to the national average, at both ends of the labour market. However, as the table below confirms, there are substantial differences at a district level. Almost 40% of the working age population of South Hams is qualified to degree level or above; this compares to 20% in Torridge. The profile is the mirror image in relation to no/low qualifications.

Table 4-2: Relatively ‘well’ and ‘poorly’ qualified residents of working age (2008/10 average)

Area	NVQ4+	None / NVQ1
East Devon	27.6%	23.5%
Exeter	33.5%	22.6%
Mid Devon	28.6%	22.0%
North Devon	23.9%	24.8%
South Hams	39.9%	19.1%
Teignbridge	30.6%	20.7%
Torridge	20.0%	33.8%
West Devon	34.8%	26.5%
Devon	30.0%	23.5%
England	29.7%	25.9%

Source: ONS Annual Population Survey

- 4.9 These differences really are significant. The correlation with resident-based earnings (reported in paragraph 2.17) is striking. South Hams residents, many of whom do not work locally, constitute a valuable (in labour market terms) asset. In Torridge, we appear to be seeing a “low wage, low skills equilibrium”: most people find jobs, and they do so locally, but these are not well paid, relative to elsewhere. This finding is largely consistent with the sectoral profile of employment reported in Chapter 3.

Deprivation and poverty

- 4.10 There is some correlation between labour market assets and demography, and patterns of deprivation and poverty. Overall, on the 2010 Index of Multiple Deprivation, Torridge is the worst performing district and South Hams and East Devon are the best, as the table below highlights.

Table 4-3: Local Authority IMD rankings, 2010

Local Authority	Rank of average rank (out of 326)
East Devon	209
Exeter	139
Mid Devon	155
North Devon	126
South Hams	204
Teignbridge	175
Torridge	101
West Devon	149

Source: CLG

- 4.11 However with regard to measures of deprivation, district-level estimates need to be used with a good deal of care: poverty generally exists at a fine-grained spatial scale and it is lost in “average” measures. Devon County Council has completed an analysis of the Indices of Deprivation at the scale of Lower-layer Super Output Areas (LSOAs). This finds that four areas are in the most deprived 10% of all areas in England. Two of these (Newtown and Priory) are in Exeter, and two (Ilfracombe Central and Barnstaple Central) are in North Devon. Digging deeper into the individual domains that comprise the overall Index, it is apparent that the domain on which Devon scores poorest overall is that labelled “*barriers to housing and services*”. Overall some 99 LSOAs fall within the most deprived decile nationally on this measure. Of these, 21 are in East Devon and 16 are in Mid Devon.

Conclusions

- 4.12 With regard to “people and communities”, the picture in Devon is complex. Overall, Devon performs reasonably strongly when compared to most benchmarks and on most measures. However, delving beneath the surface – and unpacking the average – it is clear that there are substantial differences within the county. Parts of it – notably parts of South Hams and East Devon – appear to be extremely affluent, and in the main, these areas have a well-qualified labour force and high levels of economic activity. But within Devon, there are also areas of acute poverty which, in general, are found in the towns. What is also striking however is that broad areas are weak in economic terms: wages are low, skills are low and – although unemployment is modest – such areas must bring with them a degree of vulnerability. The challenges are all the more pressing when elements of the county’s demography are taken into account. Devon, like many other places, has a high and growing proportion of elderly people in its population. Particularly for the more rural districts, this will present both challenges and opportunities over the years ahead.

5: Sustainable economic growth

- 5.1 Particularly in thinking about the future of Devon’s economy, it is important to give some consideration to its environmental performance and, especially, its overall sustainability. This is not easy to “measure” but – as the price of fossil fuel rises and the pressure to reduce carbon dioxide emissions increases – the imperatives grow; moreover the direct effect of climate change and related environmental processes may well precipitate a more immediate response.
- 5.2 In this chapter, we consider a number of perspectives in terms of the sustainability of economic growth within Devon. We consider in turn:
- patterns and levels of carbon dioxide emissions
 - issues relating to housing and particularly its affordability
 - issues relating to transport infrastructure and broadband.

CO₂e emissions

- 5.3 One of the most pressing issues for all local areas is emissions of green house gases (measured in terms of carbon dioxide equivalent emissions (CO₂e). Nationally the UK has signed up to obligations to reduce emissions and every local economy has a part to play. In this context Devon County Council commissioned the University of Exeter to examine progress in relation to low carbon economic growth. Its key findings in relation to the baseline position are summarised in Table 5-1.
- 5.4 Broadly the study found that patterns of CO₂e emissions across Devon are typical of those associated with a predominantly rural economy: transport emissions are over 25% greater proportionally within Devon when compared to the UK average, and agricultural emissions are proportionally double the UK average. Conversely, emissions from industrial activities are relatively low.
- 5.5 The study also observed that patterns of emissions have a distinctive geography: 80% of emissions derive from 20% of middle level super output areas (MLSOA). Of these, almost half are in Exeter, with the city centre area alone being responsible for 5% of Devon’s non-domestic carbon dioxide emissions. The authors explained this distribution in terms of Exeter’s high proportion of old non-domestic building stock, especially in retail and offices.

Table 5-1: Summary extract from the University of Exeter report

The non-domestic sector is responsible for the majority of emissions in Devon (44%). Within the non-domestic sector agriculture is the largest emitter, mainly due to the high environmental impact of methane, for example from livestock, and nitrous oxide, for example from fertilisers. The manufacturing and the services sectors each have nearly as high an impact as agriculture. Transport is responsible for almost a third of Devon's emissions, and of these, around three quarters can be allocated to the industry and services sectors.

Transport emissions are over 25% greater proportionally within Devon when compared to the UK average, and agricultural emissions are proportionally double the UK average. This can be attributed to the Devon's rural nature. Addressing emissions from transport and agriculture is therefore an especially important challenge that the county must respond to if it is to move to a low carbon economy.

When breaking down emissions further, either by looking at a sector in greater detail, or by end use, or spatially, similar patterns emerge. We see that emissions tend to be concentrated amongst a few high emitters, following a "Pareto distribution" – sometimes also known as the "80-20" rule, where 80% of the effect comes from 20% of the cause. It is likely that the quickest wins will come from addressing the areas of highest concentration. The challenge of reducing emissions from the remainder will be harder. In the long term, reductions across the board will be required.

Within the manufacturing sector the top 20 out of 68 sub-sectors are responsible for 80% of emissions. Within the services sector, retail and hotels and catering are responsible for over half of emissions, and the public sector a further quarter. Within Devon 80% of emissions occur in 20% of mid level super output areas (MLSOA). Of these, almost a half are in Exeter, with the city centre area alone being responsible for 5% of Devon's non-domestic carbon dioxide emissions. There is a high proportion of old non-domestic building stock, especially in retail and offices. There is a high concentration of offices and warehouses in Exeter, with factories and warehouses being better spread across the county, though Torridge and West Devon show low amounts of non-domestic activity. In general though, the spatial pattern of emissions in Devon is determined by co-location of many smaller emitters in denser built-up areas.

Within the manufacturing sector, the source of emissions is strongly influenced by the specific sub-sector. For example in the food and drink sector, low temperature processes are the most significant factor, whilst in the metals sector it is high temperature processes. In the plastics sector it is motors, in the paper and paperboard sector it is drying and separation.

The trends in the services sector follow a more common thread, with space heating and then lighting being most significant, and in total accounting for almost two thirds of emissions, though there is a dominance of lighting emissions in the retail sector, and catering emissions from the hotels and catering sector. Reducing emissions from each of these activities requires different solutions and interventions. Building up a detailed picture of where these emissions arise from will help to tackle them in the most effective way. The services sector is by some way the most significant sector economically within Devon, and is projected to become even more so over time. In terms of economic output, the services sector has low emissions compared to other sectors.

The ratio of economic output to carbon emissions of a sector has been termed the carbon productivity, and against this indicator, Devon generally outperforms the UK across all sectors, mainly due to having less concentration of carbon intensive industry. The growth of the services sector and the decline in manufacturing sector over time, together with the impact of national emissions reduction policy, should mean that within Devon at least, the carbon intensity of the economy should reduce.

Source: University of Exeter: Low Carbon Economy in the context of the Devon Economy, 2010

Housing

- 5.6 A second important consideration relates to housing. The age and quality of the housing stock is itself a factor in relation to CO₂ emissions: new construction techniques are very much more energy efficient than older ones. But housing is also crucial in terms of its relationship to commuting and in this context, issues of affordability are paramount.
- 5.7 Across Devon as a whole, housing is expensive relative to earnings (which, as we saw in Chapter 2, are generally significantly lower than the national average). This is demonstrated by measures of affordability. The table below provides data on the ratio of lower quartile house prices to lower quartile earnings. The ratio is 8.74 in Devon compared to 6.53 in England. Within the county, the least affordable district is South Hams. As we have seen already, this is the district in which the skills profile of residents and resident-based earnings are highest, but where the differential in terms of workplace-based earnings is enormous. The inference is that commuting (and also in-migration) have caused affordability challenges to

escalate. And indeed, the evidence suggests that median house prices more than doubled between 2001 and 2011. By 2011, the median house price in the South Hams was £102k. Only Exeter (£111k) was higher. The England-wide figure was £94k.

Table 5-2: Ratio of lower quartile house prices to lower quartile earnings (2011)

Area	Ratio
East Devon	9.47
Exeter	8.25
Mid Devon	7.74
North Devon	8.78
South Hams	10.0
Teignbridge	8.63
Torridge	9.03
West Devon	8.75
Devon	8.74
England	6.53

Source: Land Registry Data 2010 and Annual Survey of Hours and Earnings (ASHE) 2011

Transport infrastructure and broadband

- 5.8 In determining the scope for sustainable economic growth, it is also important to consider the communications infrastructure – both physical and virtual.

Transport – road and rail

- 5.9 Devon – like every other county – has its transport issues. Its most recent Local Transport Plan (which relates to Devon and Torbay) was published in April 2011. Within it, the strategic road network is defined as comprising: M5 from Birmingham and Bristol to Junction 31 at Exeter; A38 between M5 Junction 31 (Exeter) and Plymouth; A30 / A303 between M5 junction 29 and A303 to London; A380 between Torquay and the A38 at Kennford; A361 between Bideford / Barnstaple and the M5 junction 27; and A30 from M5 junction 31 to Cornwall. The strategic rail links are those to London Paddington/Waterloo, Bristol and Plymouth. Following public consultation, the most crucial transport issues were identified as the reliability of journey times (particularly in relation to the A380 between Torbay and Newton Abbot); the capacity of rail services; and the cost of rail services. This in turn led to the identification of four priorities consistent with the delivery of economic growth:
- make best use of the existing transport network and improve connections with London and other major cities
 - lobby for improved rail services
 - support growth with a reliable and efficient transport network

- manage pressures on the road network at peak and seasonal periods²⁵.
- 5.10 In terms of major transport schemes, the immediate priorities are the South Devon Link Road/Kingskerswell Bypass (for which provision was made in the Chancellor's Autumn Statement (2011)) and improvements to Junction 29 of the M5 (which are important vis-à-vis developments to the East of Exeter).
- 5.11 The M5 junction 29 works were started in Summer 2011, and will open to traffic in Autumn 2012. Together with the Clyst Honiton Bypass, which commenced construction in February 2012 and Cranbrook Railway station (to open in 2013), they will enhance accessibility to the major growth area East of Exeter. The South Devon link road will be completed by 2015. These major improvements will, arguably, tend to reinforce the importance of assisting economic hubs, particularly Exeter.

Broadband

- 5.12 Broadband coverage across Devon is a matter for some concern. Across Devon and Somerset, it is estimated that the private sector is currently planning to deliver superfast broadband (i.e. broadband with download speeds of at least 20 mbps) to less than 40% of premises. The implications – in terms of a re-invigorated digital divide – are potentially substantial. With support from Broadband Delivery UK, the two county councils are seeking to roll-out superfast broadband; the intention is that by 2015, 100% of premises should have broadband coverage (of at least 2 mbps) and 85% should have access to superfast broadband.
- 5.13 Potentially, this will represent a highly significant infrastructure for Devon, particularly in the more rural and remote areas. However it is important to note that similar roll-out processes are underway across other counties and some (e.g. neighbouring Cornwall) have been able to accelerate the programme. Hence in relation to economic growth in Devon, it will be important that the infrastructure is delivered as quickly as possible and, crucially, that both businesses and individuals actually use it.

Conclusions

- 5.14 In relation to sustainable economic growth, Devon – like most predominantly rural areas – faces some challenges. Emissions of CO₂ are relatively high, driven in large part by the contribution of transport and this in turned is fuelled by commuting which is, again in part, a response to challenges linked to housing affordability. The response in terms of transport strategy has been to focus on the principal hubs and, over time, this will affect Devon's economic geography. Whilst enhanced broadband provision could be consistent with more dispersed economic growth, at this moment in time there are some “not spots” which the local authorities are working to remedy. This process is important. More significant, however, is the willingness and ability of businesses and individuals to make use of superfast broadband and to do so for maximum economic benefit.

²⁵ See <http://www.devon.gov.uk/dtlt2011-2026strategydoc.pdf>

6: Forward look

- 6.1 Economic data are, by definition, historic: they provide a good insight into what *has happened*. But for policy makers and others, the key concern is what *might happen* in the future. Looking forward is more difficult. In principle, there are a range of futures approaches and methodologies that could help this assessment. In this chapter we consider the key messages deriving from economic and demographic projections for Devon. We also distil some wider trends and drivers that have been identified in the course of the LEA process.

Demographic projections

- 6.2 ONS produces trend-based population projections for sub-national areas. In the table below, we provide ONS's 2008-based population projections for England, Devon and its districts. The table shows that across Devon, the resident population is projected to increase by 17.6% between 2011 and 2031; this level of growth is faster than for England as a whole (15.5%). However Devon is different from the national average with regard to the age profile of population growth. In England, the number of residents of working age is projected to increase by 5.9%; in Devon, the increment in the working age population is much smaller (3.0%). Conversely, Devon is projected to see a much greater relative increase in the number of older people.

Table 6-1: Projected numbers ('000) and percentage increase in population by broad age group, 2011-2031

	Children	Children	Working Age	Working Age	Older People	Older People	All	All
	No	%	No	%	No	%	No	%
East Devon	2.2	10.3	3.2	4.5	23.5	53.3	28.8	21.1
Exeter	2.5	13.8	4.7	5.8	8.5	38.6	15.6	12.8
Mid Devon	1.4	9.5	2.2	5.0	12.1	63.7	15.7	20.2
North Devon	1.0	6.1	-0.1	-0.2	12.3	49.6	13.3	14.3
South Hams	1.7	12.1	-0.5	-1.1	10.9	47.0	12.2	14.4
Teignbridge	1.3	6.0	0.5	0.7	19.7	55.0	21.6	16.8
Torridge	1.3	11.6	2.3	6.1	12.9	67.9	16.6	24.6
West Devon	1.1	11.8	1.0	3.3	8.9	59.7	10.9	20.1
Devon	12.6	10.0	13.1	3.0	108.9	53.7	134.6	17.6
England	1,132.2	11.6	1,903.1	5.9	5,102.8	49.3	8,138.1	15.5

Source: ONS population projections (2008 based)

- 6.3 At a district level, the differences are marked. ONS's projections suggest that all districts will see population growth. In relative terms, the lowest overall level of growth will be seen in Exeter and the highest is projected in Torridge. However in terms of the working age

population – which is especially important in the LEA context – it is clear that by some margin, the greatest absolute change is projected in Exeter. Conversely two districts – North Devon and South Hams – are projected to see an absolute fall in the size of their working age population but in the context of overall population growth of approaching 15%. In Torridge and Mid Devon, the increment in the number of older people is projected to be well over 60% between 2011 and 2031.

- 6.4 Considerable care and judgement are needed in interpreting ONS population projections. They are trend-based and there are many factors which might cause actual outcomes to be different – not least the decisions that are made with regard to planning policy and the allocation of major sites for new housing development. Nevertheless, taken at face value, they do point to the growing importance of Exeter (and its immediate environs) as the geographical focus for labour supply; and to the increasingly elderly population, particularly in Torridge, Mid Devon and West Devon.

Economic projections

- 6.5 As part of the LEA evidence gathering, Devon County Council commissioned Cambridge Econometrics to prepare a set of baseline economic projections for Devon and its districts; with the agreement of the County Council, this included the ONS population projections (and hence the economic projections are consistent with the demographic profile described above). The table which follows provides summary baseline data for Devon and its districts on three key indicators: GVA, productivity and employment. It also shows actual/projected annual growth rates over five year periods for the last decade and through to 2020.

Table 6-2: 2010 baseline and annual growth rates for key LEFM indicators, for Devon and its districts (and the South West)

	2010 Baseline	2000-2005	2005-2010	2010-2015	2015-2020
GVA (£m, CVM, reference year 2005)					
Devon	11,148	4.1%	0.5%	1.6%	3.0%
East Devon	1,609	2.1%	0.3%	1.6%	3.2%
Exeter	3,239	5.7%	1.8%	1.3%	3.0%
Mid Devon	868	4.1%	-2.5%	2.3%	3.4%
North Devon	1,387	5.2%	0.6%	1.7%	3.0%
South Hams	1,234	5.6%	-1.1%	2.0%	3.5%
Teignbridge	1,521	2.2%	1.4%	1.5%	2.8%
Torridge	648	2.3%	0.0%	1.7%	2.9%
West Devon	642	2.8%	0.3%	1.4%	2.6%
South West	86,116	2.9%	0.3%	1.9%	3.0%
Productivity (£000/job, CVM, reference year 2005)					
Devon	31.1	1.0%	1.1%	1.7%	2.1%
East Devon	30.6	0.4%	1.7%	2.0%	2.3%
Exeter	33.5	1.0%	1.3%	1.4%	1.8%
Mid Devon	30.9	1.0%	0.4%	2.0%	2.3%
North Devon	30.9	1.5%	1.4%	1.9%	2.2%
South Hams	30.3	0.8%	0.5%	1.9%	2.2%

	2010 Baseline	2000-2005	2005-2010	2010-2015	2015-2020
Teignbridge	29.5	1.0%	1.0%	1.7%	1.9%
Torridge	29.9	1.5%	1.0%	1.9%	2.1%
West Devon	29.7	1.0%	0.7%	1.7%	2.0%
<i>South West</i>	<i>33.0</i>	<i>1.4%</i>	<i>0.5%</i>	<i>1.7%</i>	<i>2.0%</i>
Employment (thousands)					
Devon	358	3.0%	-0.6%	-0.1%	1.0%
East Devon	53	1.7%	-1.4%	-0.4%	0.9%
Exeter	97	4.7%	0.5%	-0.1%	1.1%
Mid Devon	28	3.1%	-2.8%	0.2%	1.0%
North Devon	45	3.7%	-0.7%	-0.2%	0.8%
South Hams	41	4.8%	-1.6%	0.1%	1.2%
Teignbridge	52	1.3%	0.4%	-0.1%	0.8%
Torridge	22	0.8%	-1.0%	-0.2%	0.8%
West Devon	22	1.8%	-0.4%	-0.2%	0.6%
<i>South West</i>	<i>2,609</i>	<i>1.5%</i>	<i>-0.2%</i>	<i>0.1%</i>	<i>1.0%</i>

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010

6.6 From the table, we might make some important observations. Overall, between 2000 and 2010, Devon's economy grew more quickly than that of the South West, particularly on the headline GVA indicator. However in 2010, productivity in Devon was still well below the South West average. Looking ahead, there is no suggestion that the productivity gap will close significantly (productivity growth rates are virtually identical at a regional and county levels). Moreover, particularly in the period 2010-2015, both employment and GVA are projected to grow more quickly at the regional level than in Devon. Hence despite a strong performance in the early part of the 2000s, there is little suggestion that Devon will continue to "catch up" the rest of the South West.

6.7 This average, Devon-wide, picture masks some important variations at a district level:

- Over the period 2000-2010, Exeter was the fastest growing district in terms of GVA and employment. Best performing in terms of productivity growth was North Devon, but by the end of the period, it was still adrift of the Devon average and by some margin, Exeter remained the most productive district county-wide
- Looking ahead, the strongest GVA growth is projected in Mid Devon, South Hams and East Devon. The former two districts are also projected to perform strongly in relation to employment growth
- In terms of future productivity growth, the district projected to perform worst is Exeter while East Devon and Mid Devon – both of which abut Exeter – are projected to see above average productivity growth
- Teignbridge and Torridge were estimated to be the least productive Devon districts in 2010 (as explained in Chapter 3). Both of these districts are projected to grow more slowly – in terms of productivity performance – than the Devon average, suggesting that gaps within the county will widen.

Comparing the demographic and employment projections

- 6.8 Projections are, simply, the outputs from a model. In practice, there might be any number of reasons as to why calibrated forecasts will be different from trend-based projections: the decision to invest in major infrastructure (such as the Kingskerswell by-pass), the speed with which major developments (such as Sherford and the West End of East Devon) come forward, major plant closures/openings, and so on. Models cannot anticipate developments of this nature and they need to be calibrated in the light of them.
- 6.9 Nevertheless, taking the demographic and employment projections at face value and looking across both sets of numbers, some important potential implications follow:
- In terms of employment growth, the most buoyant district is the South Hams yet from the (trend-based) demographic projections, it is apparent that the population of working age in South Hams is set to decline. On the face of it, the implication is unrealised growth potential and/or an increase in net in-commuting. In practice, developments at Sherford will be important in the west of the district while the regeneration of Torbay could also have a bearing to the east. Nevertheless the observations from the models are important
 - The district which is set to see the highest rate of population growth (both in the total population and the population of working age) is Torridge. However the rate of employment growth in this district is projected to be well below the Devon average. A similar potential mismatch is apparent in West Devon.
 - Together, Exeter and East Devon are projected to account for over 60% of Devon's overall increment in its working age population. Currently, these two districts account for about 40% of employment and between 2010 and 2020, both are projected to grow (in employment terms) more quickly than the average for Devon. The inference is a further concentration in Devon's economic geography, focused on Exeter and its extension in East Devon.

Wider trends and drivers

- 6.10 As noted already, these projections need to be treated with some caution. In addition, it is important to take note of wider trends and drivers that are likely to influence the Devon economy over the years ahead. A STEEP analysis was completed in the course of developing the LEA²⁶. This pointed to a range of trends and drivers which are likely to shape Devon's economy. The most important include:
- the scale and pace of population ageing
 - the pace of technological change, particularly in relation to connectivity
 - the imperative for sustainability, in all its guises
 - the opportunities and threats associated with climate change

²⁶ See <http://www.devonomics.info/documents/analysis-steep-trends-and-drivers-facing-devon>

- the simultaneous fragmentation and commodification of markets
- the importance of local identity in a globally connected economy
- the need for rebalancing
- the growing competition from abroad, particularly China, India and Brazil.

6.11 In practice, some of these trends and drivers will be more important than others – and second-guessing outcomes is a fraught exercise. Devon’s economic future is unlikely to be straightforwardly linear. In planning for its future, a number of different scenarios ought to be considered and the upside and downside risks taken into account. The trend-based projections set out above depict one possible future, but the uncertainties are considerable and partners in Devon need to navigate and/or harness these to maximum effect.

7: Conclusions

- 7.1 Devon County Council is committed to encouraging economic growth across Devon. This is an agenda that is also being pursued by the Heart of the South West Local Enterprise Partnership. From the evidence assembled in developing the Local Economic Assessment, the rationale for this is clear: despite recent growth, Devon continues to underperform on key metrics, particularly those linking to productivity. While parts of the economy are performing strongly, Devon as a whole is not: as data from the UK Competitiveness Index (reported in Chapter 3) shows, Torridge is amongst the worst performing districts nationally on this composite measure, and East Devon and Teignbridge are not far behind.
- 7.2 Within this context, what insights can be gleaned vis-à-vis barriers to – and opportunities for – economic growth? We make some overarching comments by way of conclusion.
- 7.3 **First, and perhaps most importantly, Devon has a very distinctive economic geography and this is causally related to economic performance.** Although not easy to define in terms of local authority districts, the “Exeter area” (which includes Exeter and parts of East Devon, Mid Devon and Teignbridge) appears to dominate the county’s economy, along with areas on the main transport arteries. It has many key economic assets and it benefits from agglomeration effects which are thin on the ground elsewhere. It also has the (economic) advantages of good connectivity – particularly to London but also internationally. Looking ahead, the economic prospects of Devon must be closely related to those of the Exeter area. This in turn must link into the physical expansion of Exeter (through, for example, East Devon’s West End) and the further development of its key economic assets (such as the University of Exeter, its science parks, and related activities). From the data, it is clear that some districts (notably South Hams) perform significantly better on residence-based than workplace-based earnings; the inference must be commuting and given the prominence of Exeter, this is likely to be a key destination (as indeed are locations further afield including, potentially, London).
- 7.4 **Second, particularly outside of the “Exeter area” (defined broadly), Devon is an overwhelmingly “small firm economy”.** In seeking to accelerate economic growth, this structure is quite challenging. Some of these firms will have growth potential and ambition, and the development of this sub-group will need to be encouraged. However the fact that Devon’s business population is far more mature than the England average suggests, overall, an environment in which businesses can survive without necessarily growing. Why this is the case cannot be deduced from secondary data alone – although one factor may be a lack of local competition (both for final products but also for inputs such as labour). For this group, superfast broadband *may* present something of a solution and a catalyst, but it will be important that this key new infrastructure is quickly used to maximum effect.
- 7.5 **Third, overall, Devon’s sectoral structure is not conducive to fast rates of growth.** Simply put – relative to elsewhere – a high proportion of economic activity in Devon is in sectors which are growing relatively slowly and/or sectors which are intrinsically low value-added. Conversely the proportion of economic activity – measured in terms of jobs – within

the knowledge economy is seven percentage points lower than the national average. Increasingly, knowledge-based activity is critically important in terms of competitiveness.

- 7.6 **Fourth, Devon’s performance is mixed in labour market terms.** Overall, the proportion of the working age population with high level qualifications is similar to the national average. However the “average” figures mask substantial district-level differences: Exeter performs well and South Hams is outstanding, but in Torridge, the proportion of the working age population qualified to degree level or above is just 20% (ten percentage points lower than the England average). In parts of the county, there does therefore appear to be an issue with workforce skills. These areas also tend to be those in which levels of labour market inactivity are high: in West Devon, nearly a quarter of working age men are economically inactive. In the west and north of the county, there do then appear to be issues linked to labour market engagement.
- 7.7 **Finally, we need to note Devon’s demographic profile and projections in terms of how this might change: Devon’s population is growing and ageing, but in some areas, the working age population is projected to decline.** Looking ahead, the social make-up of Devon will change and the increasing proportion of elderly people – particularly in the more rural areas – will, in economic terms, present a challenge. Of course, population ageing brings opportunities too and businesses will need to respond the markets it creates. Overall though, dependency ratios look set to increase and the implications for the provision of health and social care could be substantial.
- 7.8 Reflecting all of these different elements, it is perhaps helpful to think of Devon’s economy overall in terms of **two overlapping sets of circumstances**. A first is focused on Exeter but it extends along the principal transport corridors, notably the M5/A38, into the likes of the South Hams. This economy is well connected with major urban economies, notably London, and – with an outstanding environment in which to live – the influence of London is tangible. However housing affordability for local people is a real issue. Away from these main arteries, the economy of Devon is different. It is dominated by small/micro businesses, most of which are operating in low value-added sectors and paying low wages. From this starting point, accelerated economic growth is a real challenge. The environmental performance of this dispersed pattern of economic activity is also a concern. Within this context, the promise of superfast broadband is important – although it is no panacea.