Mid Devon Area Profile

Produced for Devon County Council

February 2014

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Mid Devon in Summary

CONTRIBUTION TO THE DEVON ECONOMY		
Mid Devon is the sixth largest district in Devon in population and employment terms. Its diverse rural environment, good transport connections and close proximity to Exeter, makes it a popular residential location for commuters. The area has a high concentration of manufacturing employment, including employment specialisms in the manufacture of textiles and food, both of which include large strategic employers within the area.		
Indicator	**2012**	**% of Devon**
Employment	21,600	7%
Businesses	3,255	11%
Real Value Added	£871m	7%
Population	78,300	10%
LABOUR MARKET		
Indicator	**Key Points**	**Latest Position**
Employment Rate	• Exceeds the national average • Fourth highest employment rate in Devon (linked to low unemployment levels)	76.8%
Inactivity Rate	• Slightly lower than the national average • Fourth highest inactivity rate in Devon	21.0%
NVQ L2+	• Skills profile in line with the national average	74.9%
NVQ L4+	• Sixth highest proportion qualified to NVQ4+ in Devon	33.3%
CURRENT ECONOMIC PERFORMANCE		
Indicator	**Key Points**	**Latest Position**
Employment Density	• Small employment base relative to size of working age population – density below national average • Lowest employment density in Devon	45,849 per 100,000 w prking age residents
Business Density	• Business density exceeds the national average • Fourth highest business density in Devon • Average 3 year survival rates and low start up rate	69 per 1,000 w orking age residents
Productivity	• Equivalent to 82% of the national average • Third highest productivity levels in Devon	£31,338 per employee
Highly Skilled Occupations	• Under-represented due to shortage of associate professionals and particularly professionals • Skilled trade and elementary occupations are highly represented	34%
ECONOMIC FORECASTS		
Indicator	**Key Points**	**% Change 2013-2025**
Employment	• Lowest proportionate increase in Devon, but exceeding national average • Driven by construction and business and finance	+2,100 / 7.5%
Real Value Added	• Fifth highest proportionate increase in Devon, exceeding national average • Driven by business and finance, although generally balanced across a number of sectors	+ £251m / 28.6%
Productivity	• Forecast to inverse with improvements in relative levels of productivity • Forecast to be equivalent to 83% of national average by 2025	+19.6%
See Annex 1 for data sources		

1 Introduction

1.1 In both the UK and the wider global economy, there are signs of economic recovery and a renewed focus on growth is beginning to emerge. Across England, new plans for economic and social development are taking shape in local areas to help secure funding and/or inform how it will be deployed (for example through the 2014-2020 Structural and Investment Funds and Strategic Economic Plans, both of which are being planned at a Local Enterprise Partnership level). Understanding current economic conditions and the future prospects of local economies can support this process.

The Mid Devon Area Profile

1.1 This report provides a profile of Mid Devon, which has been produced on behalf of Devon county Council as part of their function to provide economic intelligence across the county, to inform local economic development plans. The report draws upon standard datasets and Cambridge Econometrics' Local Economy Forecasts Model (LEFM) to set out the district's contribution to the Devon economy, how the economy currently performs and headline economic forecasts relating to employment, value added and productivity.

Introducing Mid Devon

1.2 Mid Devon is the fourth largest local authority area in Devon, located in the north east of the county, and covering an area of 912,935 m^2. The district boasts a high quality natural environment, bordering Dartmoor and Exmoor National Parks and the Blackdown Hills Area of Outstanding Natural Beauty. Exeter is situated just south of the district and, as a regional centre, exerts a considerable economic and social pull.

A Predominantly Rural District

1.3 Mid Devon is a predominantly rural district, and is officially classified as Rural-80, signifying a district with at least 80 percent of their population in rural settlements and larger market towns. The large majority of land in Mid Devon (94%) is classified as green space, accounting for 865,549 m^2 of its total area. As such, the district has a low population density of 0.9 persons per hectare, compared to the England average of 4.1. Of the district's 62 parishes, just two have a population density above this average.

1.4 Tiverton, Cullompton and Crediton are the district's three main market towns:

- **Tiverton**: With a population of almost 22,000, Tiverton is the largest urban area within Mid Devon. Tiverton is a historic market town and the administrative centre of the district. The council is currently considering an Eastern Urban Extension, which will look to add 1,500 new homes and approximately 35,000sqm of employment space to meet future demand. There is the potential for considerable development activity at Tiverton.

- **Cullompton**: Located 12 miles north of Exeter and situated adjacent to the M5 (the main transport corridor through Devon), Cullompton is the second largest town in the district with a population of over 8,800. The town is also close to mainline rail services from nearby Tiverton Parkway making the area attractive to commuters.

- **Crediton**: The historic market town of Crediton, with a population of over 7,700, is situated 7 miles north west of Exeter on the A377 Exeter to Barnstaple road, at the junction with the A3072 to Tiverton. A new link road is scheduled for completion in autumn 2014 in order to reduce congestion, support economic development and improve air quality.

1.5 With regard to retail activity, data from the recent Mid Devon Retail Report suggests that Tiverton and Crediton have their own discernable "catchment areas" covering nearby rural wards. Conversely, Cullompton's economic influence is more localised, with a high number of vacant units in the town centre. Exeter is a significant shopping destination for many Mid Devon residents, whilst Taunton serves the eastern part of the district.

A Varied Transport Infrastructure and Net Outflow of Commuters

1.6 Mid Devon has good transport links to the north and the south with a mainline railway and the M5 running through the district, and easy access to the north of the county through the North Devon link road. In the past these transport links, alongside the lower levels of congestion in comparison to Exeter have been attractive to businesses, particularly those which operate in the distribution sector.

1.7 Reflecting its rural characteristics, Mid Devon has a high dependency on car travel, with the latest Census revealing that 41.3% of the district's residents use a car to travel to work – the highest proportion amongst Devon's districts.

1.8 The 2011 Annual Population Survey indicated a commuting outflow of 16,238 from the district, largely to Exeter, and an inflow of 7,759, again predominantly from Exeter – the result is a net flow of workers out of the district of 8,479.

Report Structure

1.2 The remainder of the report is structured as follows:

- **Chapter 2** sets out the current structure and activity of Mid Devon's Labour Market.
- **Chapter 3** sets out the current economic performance of the Mid Devon business and employment base.
- **Chapter 4** sets out economic forecasts for the district.
- **Chapter 5** summarises the key messages and implications of current and future trends for economic development in Mid Devon.

2 The Mid Devon Labour Market

Key Messages

Mid Devon is the sixth largest district in Devon in population terms. Its is predominately rural in nature, offering resident a choice of diverse rural locations and a reasonably high proportion of the population live in sparse and isolated areas. The district has a small working age population in relative terms and benefits from a high employment rate and low unemployment. The employment rate is boosted by self employment and out-commuting, rather than a high employment density within Mid Devon.

While the skills profile of Mid Devon's working age population is similar to the national average, it consistently under-performs the county-wide average leading to a higher than average proportion of working age residents having no qualifications. In terms of higher levels skills (NVQ L4+) Mid Devon also ranks sixth out of the eight districts in the county.

Mid Devon's performance against each of the key indicators covered in this chapter is summarised in the table below.

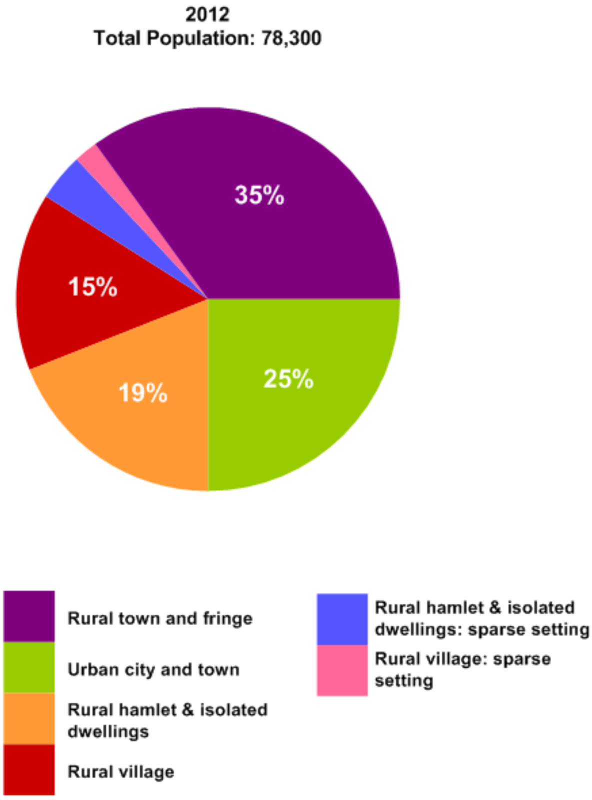
	Indicator	Mid Devon	Devon	England	Performance against national average
Employment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**76.8%**	**75.9%**	**71.4%**	
Inactivity Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**21.0%**	**21.0%**	**22.4%**	
NVQ L2+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**74.9%**	**77.3%**	**71.8%**	
NVQ L4+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**33.3%**	**34.9%**	**34.2%**	

Note: Unemployment data is unavailable for Mid Devon but performance on employment and inactivity indicator suggest unemployment is low.

Population

2.1 In 2012, Mid Devon was home to 78,300 residents, accounting for 10% of Devon's total population and making it the sixth largest district in the county. Mid Devon is primarily rural, with only one-quarter of residents living in urban areas. The rural areas of the district are diverse, with the majority of residents living in rural town, fringe and villages. There is also a reasonably high proportion of residents living in more isolated and sparse settings.

Urban-rural split, 2012



Source: Mid-year population estimates, 2011 Census

Economic Activity

2.2 When compared to the national profile, Mid Devon has a small working age population and a higher proportion of residents aged over 65, reflecting county wide trends. However, when compared to other parts of Devon, the district has a slightly higher proportion of residents aged under 16 and the size of the population aged over 65 is smaller in relative terms.

Age Profile of the Population 2012				
	No.	%	Devon (%)	England (%)
Under 16s	14,600	19%	16%	19%
Age 16-64	47,100	60%	60%	64%
Over 65+	16,700	21%	23%	17%
Source: Mid Year Population Survey				

2.3 Based on the latest data from the Annual Population Survey[1], Mid Devon has the fourth highest employment rate in the county, significantly exceeding the national average. This is largely a result of low levels of unemployment, with the inactivity rate just slightly lower than the national average. The employment rate is also boosted by high levels of self employment. In 2012, 14% of the working age population in Mid Devon were classified as being self employed, compared to 17% in Devon and 14% nationally.

Profile of the Working Age Population 2012/13				
	No.	%	Devon (%)	England (%)
Employment rate	34,600	76.8	75.9	71.4
Unemployment rate	-	-	4.3	7.9
Inactivity rate	9,500	21.0	21.0	22.4
Source: Annual Population Survey				

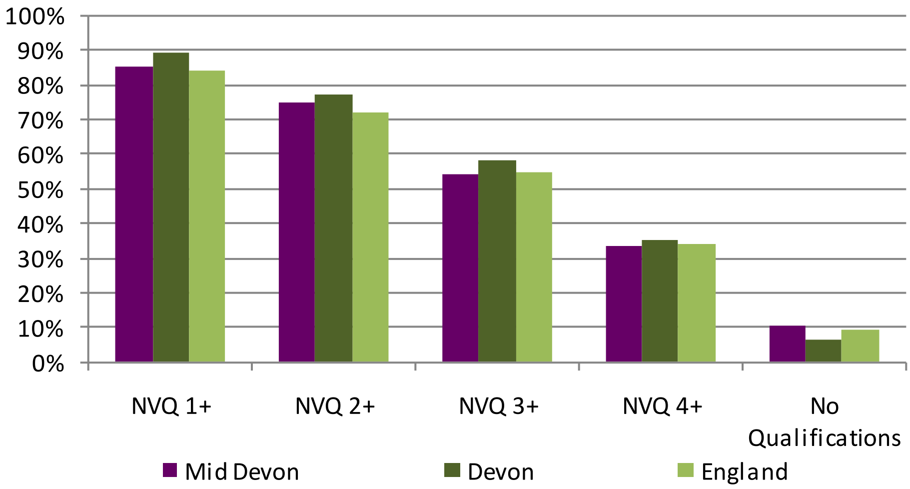
[1] Data covers period October 2012 to September 2013.

2.4 Where residents are economically inactive, the reason in over half (51%) of cases is caring for a family or home. A further 22% are sick and 16% are students.

Skills

2.5 The skills profile of Mid Devon's working age population is similar to the national picture, but consistently lower than the county-wide average. In particular, a higher proportion of the Mid Devon working age population have no qualifications. In terms of higher level skills (NVQ L4+), Mid Devon ranks sixth out of the eight districts in the county.

Qualifications of the Working Age Population, 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

Mid Devon is the sixth largest district in employment terms and it has the lowest employment density in the county. The area has employment specialisms in production sectors (agriculture, mining and manufacturing) as well as construction. Highly represented sub-sectors include the manufacture of textile, food and fabricated metals, reflecting the presence of large employers such as Heathcoat textiles and the 2 Sisters poultry processing plant.

With the fouth highest business density in Devon, the district has a relatively large business base relative to the size of its working age population, driven by high survival rates (rather than a high start up rate).

Mid Devon's contribution to the county's real value added (7%) is in line with its share of total employment. The district also generates the third highest level of real value added per employee in Devon, reflecting the high levels of employment in manufacturing – one of the districts most productive sectors. However, in relative terms, productivity continues to be a challenge, with the level of value added generated per employee equivalent to just 82% of the national average.

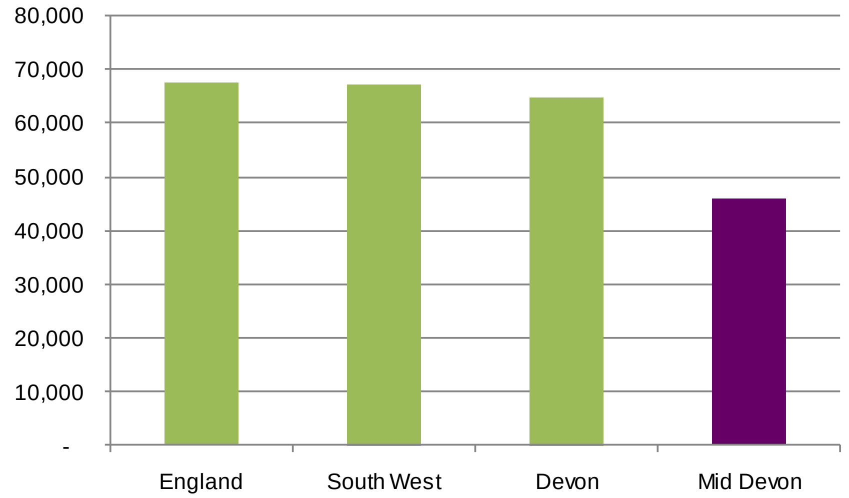
Reflecting the sector profile, skilled trades and elementary occupations are highly represented while the proportion of highly skilled occupations is low with particular gaps in professional occupations.

	Indicator	Mid Devon	Devon	England/UK	Performance against national average
Employment density Source: BRES, Mid-year Population Estimates	Employees per 100,000 working age residents	45,849	64,799	67,699	82%
Business density Source: Business Demography, Mid-year Population Estimates	Businesses per 1,000 working age residents	69	67	60	115%
Productivity Source: LEFM	Real Value Added per Employee	£31,338	£31,897	£38,293	82%
Highly Skilled Occupations Source: Annual Population Survey	Top 3 occupational groups as % of all occupations	34%	38%	45%	

Employment

3.1 In 2012, there were approximately 21,600 employees in Mid Devon, accounting for 7% of total employment in the county, and making the district the sixth largest employment base in Devon. Mid Devon has a lower number of jobs for every 100,000 working age residents (approximately 46,000), when compared to the county-wide, regional and national average. This is the lowest density of Devon's districts. To achieve an employment density in line with England, 10,300 additional jobs would need to be created (an uplift of 22% on 2012 levels).

Employment Density, 2012



Source: Business Register and Employment Survey, Mid-year Population Estimates

3.2 The largest employment sectors in Mid Devon are wholesale & retail, health & social work (both in the top three employment sectors for the county) and manufacturing. Collectively, these three sectors account for 50% of total employment.

3.3 In two of these sectors- manufacturing and wholesale and retail- Mid Devon accounts for a higher share of employment in Devon's sector (15% and 8% respectively) than the district's share of employment as a whole (7%). Mid Devon also makes a significant employment contribution to Devon's employment in agriculture (13%), education (9%) and arts and entertainment (9%).

3.4 A location quotient (LQ) provides an indication of how highly represented a sector is within the employment base of a geographic area compared to the national level. A LQ of one indicates that employment in the sector is equivalent to the national level, while a sector with an LQ of more than one denotes a high level of representation and specialisation. A LQ of less than one highlights that a sector is under-represented.

3.5 In 2012, Mid Devon had a location quotient above one in eight of the nineteen main sectors, with particularly high representation in manufacturing, construction and mining. The latter reflected the presence of a number of quarries, including Westleigh Quarry in Burlescombe and Hillhead Quarry in Uffculme.

3.6 Agriculture is also a highly represented employment sector within Mid Devon, although the true employment figures for the sector are not captured in the data below. This is partly due to high levels of self-employment, and also the method of data collection for the Business Register and Employment Survey, which means that agriculture figures are generally considered to be unreliable.

3.7 A number of key private sector services are underrepresented in the Mid Devon economy, including professional, scientific and technical, admin and secretarial and finance and insurance. The latter has a representation of less than a quarter of the national average.

Employment by Sector, 2012				
	Size		Concentration	
Sector	**No.**	**%**	**Sector**	**LQ**
Wholesale & retail	4,400	20%	Manufacturing	2.09
Manufacturing	3,900	18%	Mining	1.54
Health & social work	2,500	12%	Construction	1.30
Education	2,400	11%	Wholesale & retail	1.27
Accommodation & food	1,500	7%	Arts & entertainment	1.19
Construction	1,200	6%	Education	1.16
Admin & support	1,000	5%	Other services	1.03
Prof., scientific and tech.	1,000	5%	Accommodation & food	1.01
Transport & storage	800	3%	Health & social work	0.91
Arts & entertainment	600	3%	Real estate	0.85
Public admin	600	3%	Agriculture	0.85
Other services	400	2%	Utilities: water	0.78
Info. and comms.	400	2%	Transport & storage	0.75
Real estate	300	1%	Prof., scientific and tech.	0.64
Finance & insurance	200	1%	Admin & support	0.58
Agriculture	100	1%	Public admin	0.54
Utilities: water	100	1%	Info. and comms.	0.40
Mining	<100	0%	Finance & insurance	0.23
Utilities: electric & gas	<100	0%	Utilities: electric & gas	0.16
Source: Business Register and Employment Survey				

3.8 When a more detailed sector definition is used (2 Digit Standard Industrial Classification), the concentrations and specialisms within Mid Devon become more apparent. In particular, the analysis shows that:

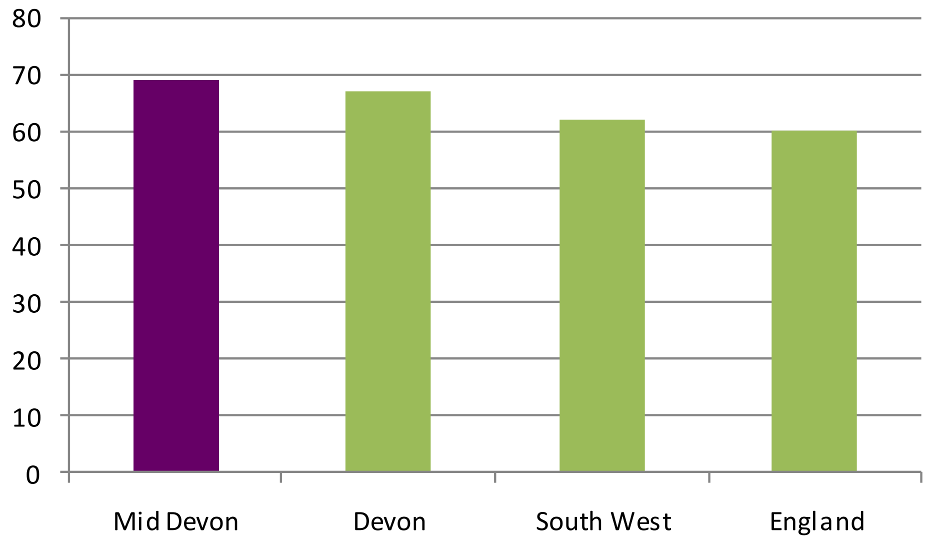
- The high levels of employment in manufacturing are being driven by a number of sub-sectors including the manufacture of fabricated metal and particularly food and textiles which are all highly represented.
- Employment levels in the textile manufacturing sector are fourteen times the national average, largely reflecting the presence of Heathcoat Textiles in Tiverton, which has been a major employer in the area for 200 years. The company has diversified over time and now includes the hi-tech manufacturing of engineering textiles (e.g. manufacturing fibres in airbags).
- The high levels of employment in the manufacture of food (which are four times the national average) reflects the presence of the 2 Sisters poultry processing plant in Willand – one of the largest firms in the South West, and a range of small and medium companies including Arla Dairy and Crediton Confectionary. These companies contribute to the wider food and drink sector, which includes beverage manufactures such as Aston Manor and traditional agricultural companies which have diversified into the sector.
- Despite the below-average representation of the overall health and social care sector, employment in the residential care sub-sector is highly represented. This reflects the higher proportion of residents aged 65 and over when compared to the national population profile, increasing demand for these services.
- High employment levels in construction are being driven by two sub-sectors, construction of buildings and specialised construction activities.

Employment Specialisms. 2012		
Sector	**No.**	**LQ**
Manufacture of textiles	600	14.25
Manufacture of food	1,100	4.31
Manufacture of fabricated metal products	500	2.21
Sports, amusement & recreation	500	1.66
Residential care	800	1.52
Construction of buildings	400	1.50
Specialised construction activities	800	1.44
Wholesale	1,300	1.40
Wholesale & retail: motor vehicles	500	1.32
Transport: land & pipeline	500	1.22
Source: Business Register and Employment Survey		

The Business Base

3.9 Mid Devon has a large business base relative to the size of its working age population. In 2012, the district had over 3,200 active businesses resulting in a business density which exceeded the county-wide, regional and national average, with 69 businesses for every 1,000 working age residents. This was the fourth highest density across in Devon. This figure is partly due to the particularly large number of micro businesses operating in the district, with 89% of business employing fewer than ten employees, compared to 85% in Devon and 83% nationally. Mid Devon's proportion of small businesses (employing between ten and forty-nine employees) is the lowest in the county, at 10%.

Business Density, 2012 – businesses per 1000 working age residents

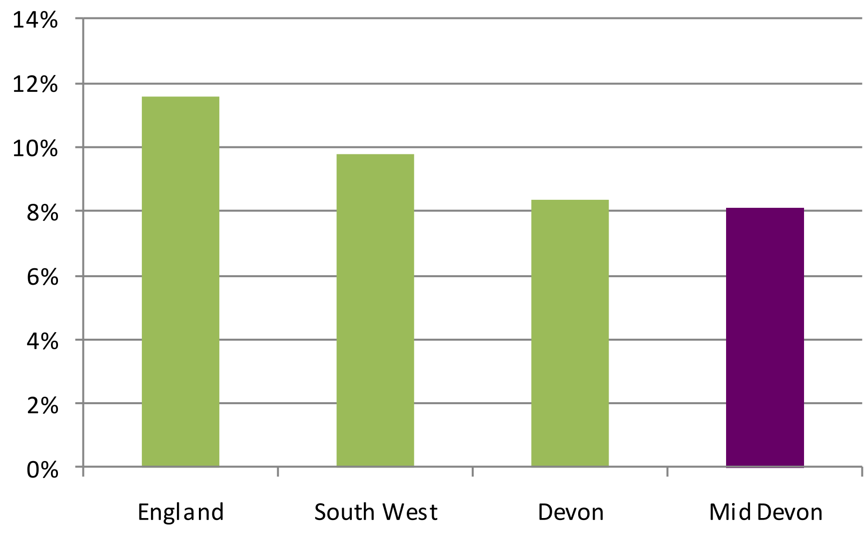


Source: Business Demography

3.10 This high business density figures largely reflect the district's high survival rates, with the start up rate being lower than the national average.

3.11 In 2012, Mid Devon's start-up rate was 8.1%, with 265 new businesses that year. This was the fifth highest start up rate in Devon and was below both regional and national figures of 9.8% and 11.6% respectively. For Mid Devon to reach national levels, an additional 112 business births would have been required (an uplift of 42% on 2012 levels).

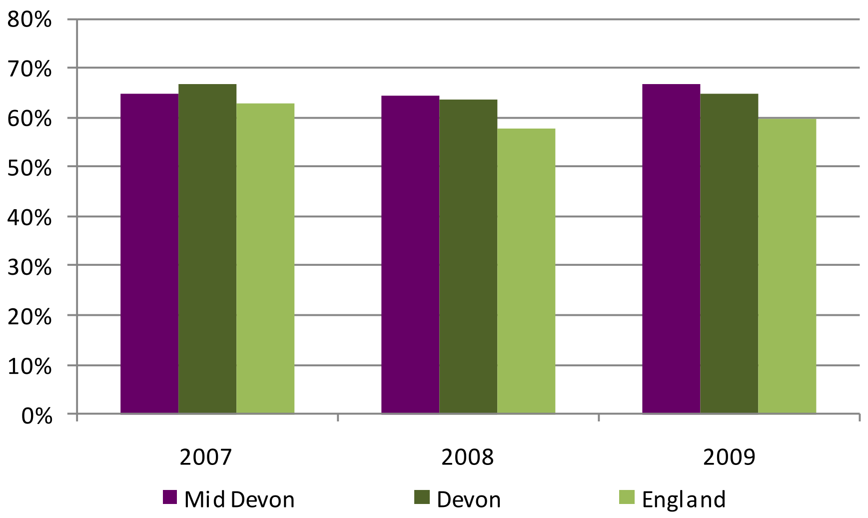
Business Start Up Rate, 2012 – births as % of active businesses



Source: Business Demography

3.12 In terms of survival rates, of Mid Devon's businesses that were set up between 2007 and 2009, up to 67% have survived three years, compared to 63% nationally and 67% across the county.

Three Year Business Survival Rates by business birth year



Source: Business Demography

Real Value Added

3.13 Value added is typically used to provide a measure of an area or sector's economic contribution. It can be measured in gross or real terms, with the latter eliminating the effects of inflation and basing the value of output on the prices of a fixed year[2].

3.14 While data is not available at the district level through the Regional Accounts produced by the Office for National Statistics (ONS)[3], estimates produced by the Cambridge Econometrics' Local Economic Forecasting Model provide an indication of district level performance. This section draws upon the model's 2012 data to ensure consistency with the employment and business data. Of note, the sector definitions in the model vary from those used in standard datasets.

[2] In the case of the LEFM, data on real value added is based on 2009 prices

[3] This smallest geography for which this is available is NUTS3 (i.e. Devon)

3.15 The model estimates that Mid Devon generated £871m of real value added in 2012, accounting for 7% of total value added in Devon. This proportion is in line with the district's share of employment (7%).

Productivity

3.16 For the purpose of this report, productivity is measured as the level of real value added generated per employee. As with many parts of the South West, productivity has been a long term challenge for the Devon economy. This is also the case in Mid Devon, where £31,338 of value added was generated per employee in 2012, equivalent to just 82% of the national average.

3.17 While productivity is also lower then the average for county, Mid Devon has the third highest level of real value added per employee in Devon. This partly reflects the high levels of employment in manufacturing, which generates the second highest level of value added per employee. This also applies to construction, although to a slightly lesser extent.

3.18 The productivity challenge which Mid Devon faces is clearly highlighted by sectoral productivity levels. In 2012, the productivity levels of all twelve sectors in Mid Devon were below the national average. The extent of the disparity varied significantly by sector, ranging from mining being equivalent to just 26% of the national average to utilities reaching 98%. The relative productivity levels of the business and finance and information and communication sectors were also particularly low.

Productivity By Sector (value added per employee) 2012

Sector	£	Sector	% UK
Utilities	£109,000	Utilities	98%
Manufacturing	£50,610	Other services	98%
Info & comms	£39,800	Public sector	97%
South West Sector Average	£38,293	Manufacturing	96%
Construction	£36,818	Distribution, hospitality	91%
Devon Sector Average	£31,987	South West Sector Average	88%
Mid Devon Sector Average	£31,338	Agriculture	87%
Public sector	£30,108	Construction	84%
Business & finance	£29,778	Accommodation & food	83%
Distribution hospitality	£26,771	Devon Sector Average	83%
Transport & storage	£26,250	Mid Devon Sector Average	82%
Other services	£25,615	Transport & storage	71%
Mining	£23,000	Info & comms	62%
Accommodation & food	£15,294	Business & finance	61%
Agriculture	£15,222	Mining	26%

Source: Cambridge Econometrics LEFM

Occupational Profile

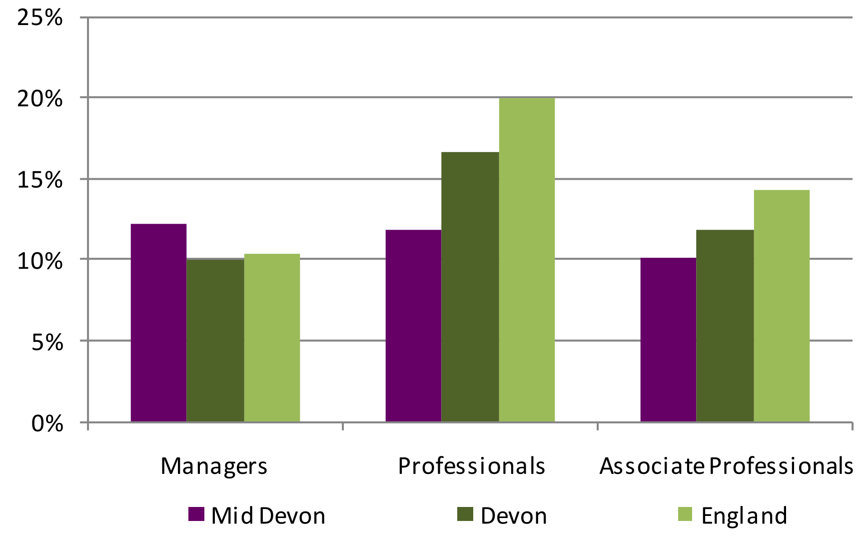
3.19 Highly skilled occupations are commonly defined as the top three occupational groups – managers and senior officials; professional occupations; and associate professional and technical occupations.

3.20 In 2012/13[4], just 34% of all occupations in Mid Devon were highly skilled, lower than both the county wide average of 38% and the national average of 45%. Compared to all Devon districts, Mid Devon ranked sixth on this measure.

3.21 This was caused by low proportions of employees in associate professional and particularly professional occupations while managerial occupations were more highly represented.

[4] Data covers the period October 2012 to September 2013

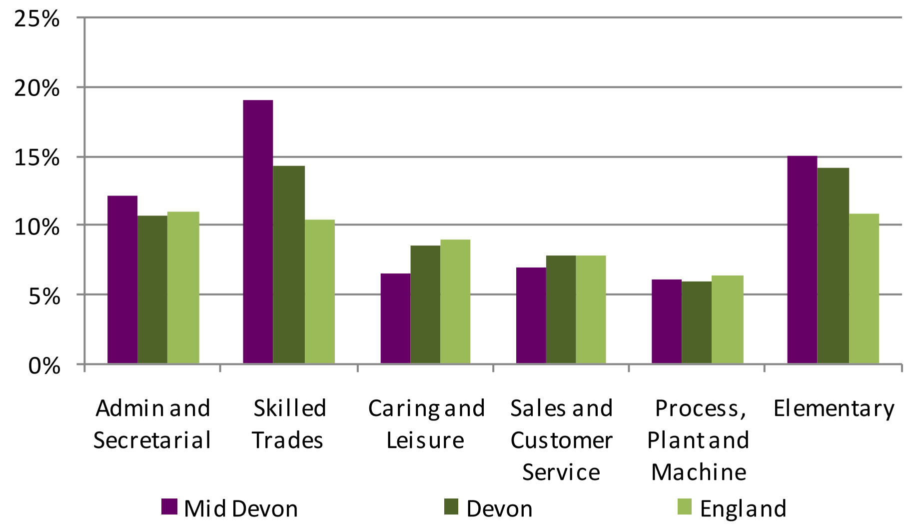
% of Highly Skilled Occupations, 2012/13 (as a proportion of all occupations)



Source: Annual Population Survey

3.22 When considering other occupational categories, the main areas of variation are Mid Devon's over-representation of skilled trade and elementary professions, reflecting high levels of employment in manufacturing and construction. In contrast, Mid Devon has slightly lower proportions of caring and sales and customer service occupations.

% of Occupations, 2012/13 (as a proportion of all occupations)



Source: Annual Population Survey

Average Earnings

3.23 While data is unavailable on workplace based wages in Mid Devon, the average annual resident based wage is just over £18,500. This is lower than the county wide average and equivalent to just 83% of the national average

Average Gross Annual Earnings, 2012			
	Mid Devon	% of Devon	% England
Workplace based	-	£19,901	86%
Resident based	18,582	97%	83%
Source: Annual Survey of Hours and Earnings			

4 Economic Forecasts

Key Messages

The growth forecasts for Mid Devon are positive, with both employment and real value added growth expected to slightly exceed the national average. The business and finance and construction sectors are expected to drive employment growth, while value added growth is forecast to be balanced across a number of sectors, including production sectors which are expected to experience jobless growth.

Productivity is also forecast to increase and Mid Devon is one of three districts where the productivity gap with the national average is expected to reduce as a result of improvements in seven sectors. While it is expected that Mid Devon will have the second highest productivity levels in Devon by 2025, this improvement will only take relative productivity levels to 83% of the national average.

Mid Devon	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment Source: LEFM	4.7%	2.7%	7.5%	6.9%
Real Value Added Source: LEFM	16.1%	10.8%	28.6%	27.1%
Productivity Source: LEFM	10.8%	7.8%	19.6%	18.9%

The Local Economic Forecasting Model

4.1 This section of the profile summarises the economic forecasts for Mid Devon as set out in the latest version (November 2013) of the Cambridge Econometrics' Local Economy Forecasting Model (LEFM). The model provides locally tailored projections across a wide range of indicators, including value added and employment and allows district level forecasts to be benchmarked against those of Devon, the South West and the UK. The forecasts are updated on a quarterly basis.

4.2 While economic forecasts provide a useful indication of the future prospects of local areas, it is important to recognise that they are projections and that they are subject to change based on the range and complexity of the underpinning assumptions.

4.3 Further, the forecasts do not take account of the impact of new policy interventions that may be implemented over the forecast period, such as the development of new employment sites and delivery of business support and skills programmes, which have the potential to alter the scale and nature of economic growth. As such, they largely present the 'policy off' situation. However, as the forecasts take account of historic performance, including policy at the time, it is not possible to generate a truly policy off scenario.

4.4 It should also be noted that the modelled numbers produced can vary from those produced through standard datasets and that data may not be directly comparable (e.g. employment in the LEFM includes self employment, while this is excluded in the Business Register and Employment Survey). However, headline trends and relative performance remain consistent.

The Outlook for the UK and Devon

4.5 Forecasts for the UK are positive and suggest that the economic recovery is beginning to gather pace, with particular improvements forecast from 2015 onwards, when the average annual growth rates for both employment and value added will increase from the 0.5% and 1.5% forecast for 2013-2015, to 0.6% and 2.2% respectively.

4.6 While these increases are good news for the UK economy, it is important to note that even the higher growth forecasts from 2015 onwards will remain below peak levels of growth witnessed pre-recession (1.2% per annum for employment between 2000 and 2005, and 3.2% per annum for GVA between 2005 and 2011).

4.7 The headline message for Devon mirrors that of the UK, with growth forecast across a number of indicators, particularly from 2015 onwards. Again, growth will not reach the peak levels witnessed previously and, unlike in the last growth cycle, Devon's growth is not projected to significantly outpace the national average.

Employment

4.8 Between 2013 and 2025, employment in Mid Devon is forecast to increase by 8%, creating an additional 2,100 additional jobs. This is the third lowest net increase forecast across Devon's districts – reflecting the scale of the employment base, and the lowest proportionate increase. Overall, Mid Devon's share of total employment in Devon is expected to remain static between 2013 and 2025.

Employment Change, 2013-2025

	Employment			Net Change		% Change	
Area	**2013**	**2020**	**2025**	**2013-2020**	**2020-2025**	**2013-2020**	**2020-2025**
Mid Devon	27,900	29,200	30,000	1,300	800	5%	3%
Devon	375,400	394,100	408,600	18,700	14,500	5%	4%
SW	2,795,500	2,897,600	2,983,400	102,100	85,800	4%	3%
UK	32,332,200	33,503,600	34,565,900	1,171,400	1,062,300	4%	3%

Source: Cambridge Econometrics LEFM

4.9 Employment growth is expected to be slightly higher than the regional and national average (a common trend across all districts) as a result of higher levels of growth in the earlier part of the forecast period (i.e. between 2020 and 2025).

Real Value Added

4.10 Mirroring employment trends, the increase in real value added in Mid Devon (+29%) is forecast to slightly exceed the regional and national average (both +27%) between 2013 and 2025. This is expected to result in an additional £251m of real value added per annum by 2025 – the sixth highest net value added uplift of the county's districts, and the fifth highest proportionate increase.

Real Value Added, 2013-2025

	Real Value Added (£m)			Net Change		% Change	
Area	**2013**	**2020**	**2025**	**2013-2020**	**2020-2025**	**2013-2020**	**2020-2025**
Mid Devon	880	1,021	1,131	141	110	16%	11%
Devon	12,005	13,789	15,308	1,785	1,518	15%	11%
SW	94,861	108,672	120,451	13,810	11,7789	15%	11%
UK	1,238,540	1,417,753	1,573,965	179,213	156,212	14%	11%

Source: Cambridge Econometrics LEFM

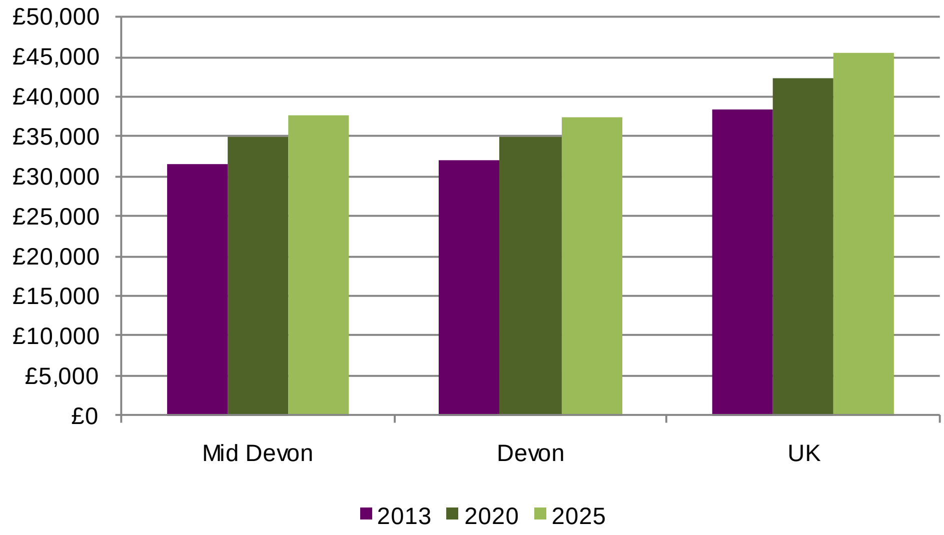
4.11 Again, the increase is expected to exceed the regional and national average in the earlier part of the forecast period and Mid Devon's share of total value added in Devon is expected to remain static between 2013 and 2025.

Productivity

4.12 Devon's long term challenge of productivity is evident within each of the districts and this is forecast to continue between 2013 and 2025. While productivity is forecast to rise across all districts and reach £37,693 of value added generated per employee in Mid Devon by 2025, performance against the national average is forecast to be less positive.

4.13 Mid Devon is one of three districts where the relative position is forecast to improve with real value added growth forecast to significantly exceed employment growth. While it is expected that Mid Devon will have the second highest productivity levels in Devon by 2025, the improvement will only take Mid Devon's relative levels of productivity to 83% of the national average.

Productivity Levels (value added per employee)



Source: Cambridge Econometrics LEFM

Sectors- Forecast Absolute Growth

4.14 The majority of sectors in Mid Devon are forecast to grow in both employment and real value added terms between 2013 and 2025, with the exception of mining, agriculture and manufacturing which are expected to experience employment decline.

4.15 Business and finance and construction are expected to drive employment growth, accounting for two thirds of the additional jobs. The forecast net increase of 700 jobs in each of these sectors is expected to be more than double the increase of any other sector.

4.16 The business and finance sector is also forecast to experience the greatest increase in real value added. However, in comparison to employment forecasts, value added growth is expected to be more balanced across a number of sectors.

Net Change – ranked by greatest level of change							
Employment				RVA (£m)			
Sector	2013-2020	2020-2025	2013-2025	Sector	2013-2020	2020-2025	2013-2025
Business & finance	400	300	700	Business & finance	31.9	29.9	61.8
Construction	500	200	700	Manufacturing	28.3	15.1	43.4
Public sector	100	200	300	Public sector	16.7	19.4	36.1
Distribution, hospitality	200	100	300	Construction	23	12.4	35.4
Accommodation & food	100	200	300	Distribution, hospitality	14.5	10.4	24.9
Other services	100	100	200	Info. & comms.	9.7	6.9	16.6
Info. & comms.	100	100	200	Other services	7.1	5.4	12.5
Transport & storage	0	100	100	Transport & storage	3.8	3.7	8.5
Utilities	0	0	0	Accommodation & food	4	3.4	7.4
Mining	-100	0	-100	Agriculture	1.8	2.6	4.4
Agriculture	-100	0	-100	Utilities	0.4	0.5	0.9
Manufacturing	-300	-300	-600	Mining	0	0.2	0.2
Source: Cambridge Econometrics LEFM							

4.17 Other key points to note include:

- **There will be jobless growth across a number of sectors:** This will primarily occur within production sectors and in particular, manufacturing, which is forecast to experience the second highest actual increase in value added despite employment declining. Transport and storage is also forecast to experience jobless growth between 2013 and 2020.
- **The timing of employment growth will vary by sector:** Business and finance, distribution and hospitality and particularly construction are forecast to make a more significant contribution to employment growth between 2013 and 2020, while the public sector, accommodation and food, and transport and storage are expected to play a greater role between 2020 and 2025. While the differences in the timings of employment growth also apply to value added growth in some sectors, the difference is often not as stark, with forecast productivity gains helping to balance growth.

Sectors - Forecast Growth Rates

4.18 The slightly higher than average forecasts for both employment and real value added in Mid Devon are driven by the growth rates for a number of sectors exceeding the national average. In the case of employment, the growth rates also compensate for forecast decline in production based sectors, and particularly manufacturing where the level of job losses is expected to be higher than the national average.

4.19 Forecast growth rates are particularly high for information and communication and construction in employment terms, and information and communication and business and finance in real value added terms.

Growth Rates 2013-2025 – ranked by fastest growing					
Employment			Real Value Added		
Sector	Mid Devon	UK	Sector	Mid Devon	UK
Info. & comms.	33%	17%	Info. & comms.	75%	46%
Construction	33%	19%	Business & finance	56%	38%
Accommodation & food	19%	16%	Construction	45%	33%
Business & finance	18%	12%	Other services	37%	24%
Other services	14%	9%	Accommodation & food	29%	30%
Transport & storage	8%	9%	Transport & storage	23%	21%
Distribution, hospitality	6%	3%	Manufacturing	21%	22%
Public sector	5%	4%	Distribution, hospitality	18%	15%
Utilities	0%	13%	Public sector	18%	20%
Agriculture	-6%	-5%	Agriculture	16%	12%
Manufacturing	-15%	-11%	Mining	11%	8%
Mining	-100%	-7%	Utilities	8%	9%
Source: Cambridge Econometrics LEFM					

Sectoral Productivity

4.20 While productivity levels are expected to increase across all of Mid Devon's sectors between 2013 and 2025, the change in the relative position of each sector against the UK will vary. Specifically the productivity gap is forecast to:

- **Reduce in seven sectors:** (utilities, manufacturing, other services, agriculture, transport and storage, business and finance and information and communications) by up to 11 percentage points;
- **Increase in three sectors:** (public sector, construction and accommodation and food) by three percentage points;
- **Remain static in distribution.**

4.21 In particular, the significant levels of improvement forecast for utilities is one of the main factors contributing to the improvement in Mid Devon's overall productivity levels. Both manufacturing and utilities are also forecast to become the only sectors which out-perform equivalent levels of productivity nationally by 2025.

Productivity By Sector, 2013-2025

	2013		2020		2025	
Area *	**£**	**% UK**	**£**	**% UK**	**£**	**% UK**
Utilities	109,000	99%	113,000	106%	118,000	111%
Manufacturing	51,250	98%	63,054	100%	73,059	102%
Public sector	29,697	97%	31,746	96%	33,638	96%
Other services	24,000	92%	27,133	96%	28,813	96%
Distribution, hospitality	27,490	91%	29,255	91%	30,692	91%
Construction	37,286	87%	38,962	85%	40,607	85%
Agriculture	17,500	86%	19,867	91%	21,600	90%
Accommodation & food	15,688	84%	17,118	83%	17,105	81%
Mid Devon Total	**31,527**	**82%**	**34,959**	**83%**	**37,693**	**83%**
Transport & storage	27,333	72%	30,500	75%	31,000	74%
Business & finance	29,289	60%	34,095	63%	38,467	64%
Info. & comms.	37,000	60%	45,571	66%	48,500	62%
South West	**33,934**	**89%**	**37,504**	**89%**	**40,734**	**89%**

*Mining excluded because employees=0
Source: Cambridge Econometrics LEFM

Sectoral Profile

4.22 Overall, despite the changes outlined above, the sector profile of the Mid Devon economy is forecast to remain largely unchanged in both employment and real value added terms. The high levels of growth forecast for business services and construction are however expected to increase the sectors' share of total employment and value added. While the contribution of the manufacturing sector is expected to decline in employment terms, its share of real value added is expected to increase.

5 Key Messages and Implications

Key Strengths

A Well Connected District with an Attractive Residential Offer

5.1 Mid Devon is one of the best connected districts in the county and benefits from good transport links to the east and the west with mainline railway station at Tiverton and the M5 running through the district. These links, and particularly the district's close proximity to Exeter, combine with the diverse choice of rural locations and natural environment to make Mid Devon an attractive place to live. The scale of the population generates spending power within the local economy, and creates demand for local services.

A Large Business Base, supported by High Levels of Enterprise

5.2 Micro businesses form the core of the business base, contributing to Mid Devon's a business density, which exceeds the regional and national average. The business base is supported by high levels of self employment, suggesting a strong entrepreneurial culture. The dominance of small employers means that the economy should be less vulnerable to the impact of business closures which can be severe in areas with high dependence on single employers. Given the business structure, it is important to consider how small businesses (including those run by a sole trader) can be supported to grow their operations and create new employment opportunities.

Positive Growth Forecasts

5.3 The growth forecasts for Mid Devon are positive, with both employment growth and real value added growth projected to slightly exceed the national average. This is expected to result in an additional 2,100 additional jobs, including 700 jobs in business and finance. This will increase the number and range of local opportunities.

Key Challenges

Stabilising the Manufacturing Sector

5.4 As one of the largest and most productive sectors in Mid Devon, manufacturing continues to be important in the district. While the sector is forecast to make a substantial contribution to real value added growth between 2013 and 2025 and be an important source of replacement demand, total employment in the sector is forecast to decline. The level of job losses is also expected to exceed the national average. The current importance of the sector places an imperative on arresting decline in future years by exploring opportunities to supply or diversify into advanced manufacturing sectors, enter new markets (including international markets) or attract inward investment.

Reducing Dependence on Surrounding Economies

5.5 Mid Devon has the lowest number of employment opportunities available relative to the size of the working age population and the area's strong links to the surrounding economies, contribute to high levels of out-commuting, particularly to Exeter. While this trend ensures that residents have access to a wider range of employment opportunities, it means that the performance of the Mid Devon economic is closely tied to health of neighbouring economies and increases its vulnerability to economic stresses in other areas. Expanding the local economic base, will help reduce this challenge.

Diversifying the Economy and Increasing the Quality of Employment Opportunities

5.6 The low levels of employment opportunities available in Mid Devon largely result from a shortage of key private sector services, including financial, professional and business services and information and communication. The area also has a relatively high level of dependency on traditional production sectors as a source of employment and highly skilled occupations are under-represented. While the forecast growth in the business and finance sector will help to diversity the economy, capturing a larger share of this growth and highly skilled, higher value jobs will increase local economic resilience and the range of opportunities available to local residents.

Improving the Resident Skills Base

5.7 The skills profile in Mid Devon consistently under-performs the county wide average at all levels and there are issues at both ends of the spectrum. The district has an above average proportion of residents holding no qualifications and ranks sixth out of the eight districts in the county with regards to higher level skills (NVQ Level 4). Improving the skills profile of residents will be important to ensure that residents are equipped to access and progress in employment and also for Mid Devon to compete effectively as a location for business investment. Following the availability of premises, the quality of the workforce and the availability of the required skills is one of the biggest factors which influences a company's decision on location.

Closing the Productivity Gap

5.8 At present, Mid Devon is one of the most productive districts in Devon but real value added per employee is just 82% of the national average. While Mid Devon is one of three districts where the productivity gap with the national average is forecast to reduce as a result of productivity, this will only take Mid Devon to 83% of the national average and the under-performance will continue to be evident. Active measures could be taken to help reduce the gap including a focus on attracting and growing high productivity sectors and increasing productivity levels of the existing workforce.

Annex 1: Summary Table Data Sources

Indicator	Source	Date
Employment	BRES	2012
Businesses	Business Demography	2012
Real Value Added	LEFM	2012
Population	Mid-year Population Estimates	2012
Employment Rate	BRES Mid-year Population Estimates	 2012
Unemployment Rate	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
Inactivity Rate	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
NVQ L2+	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
NVQ L4+	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
Employment Density	BRES Mid-year Population Estimates	2012 2012
Business Density	Business Demography Mid-year Population Estimates	2012 2012
Productivity	LEFM	2012
Highly Skilled Occupations	Annual Population Survey	Oct 2012-Sep 2013
Average Annual Workplace Earnings	Annual Survey of Hours and Earnings	2012
Employment Forecasts	LEFM	-
Real Value Added Forecasts	LEFM	-
Productivity Forecasts	LEFM	-