North Devon Area Profile

Produced for Devon County Council

February 2014

TABLE OF CONTENTS

North Devon in Summary

CONTRIBUTION TO THE DEVON ECONOMY		
North Devon is the fourth largest district in Devon in employment and population terms and is an important employment, retail and service centre for the Northern part of the county and particularly residents in Torridge. Due to the location of Exmoor National Park within the district's borders, as well as a number of popular surfing/camping locations and Areas of Outstanding Natural Beauty on the coastline, tourism plays an important role in North Devon's economy. The area's roles are reflected in its sectoral structure, including employment specialisms in manufacturing.		
Indicator	**2012**	**% of Devon**
Employment	39,300	13%
Businesses	3,795	12%
Real Value Added	£1,571m	13%
Population	93,800	12%
LABOUR MARKET		
Indicator	**Key Points**	**Latest Position**
Employment Rate	• Exceeds the national average • Second lowest employment rate in Devon (linked to unemployment levels)	73.7%
Unemployment Rate	• Below the national average, but higher than other areas in Devon • Second highest unemployment rate in Devon	6.6%
Inactivity Rate	• Slightly lower than the national average • Fifth highest inactivity rate in Devon	21.2%
NVQ L2+	• Skills profile exceeds the national average at all levels (particularly at NVQ L2+ and NVQ L3+) • Fourth highest proportion qualified to NVQ4+ in Devon	78.6%
NVQ L4+		35.8%
CURRENT ECONOMIC PERFORMANCE		
Indicator	**Key Points**	**Latest Position**
Employment Density	• Large employment base relative to size of working age population – density exceeds national average • Second highest in Devon following Exeter	70,352 per 100,000 working age residents
Business Density	• Business density exceeds the national average • Sixth highest business density in Devon • Average 3 year survival rates and low start up rate	68 per 1,000 working age residents
Productivity	• Equivalent to 84% of the national average • Second highest productivity levels in Devon	£31,944 per employee
Highly Skilled Occupations	• Under-represented due to shortage of managers and particularly professionals • Process, plant and machinery and elementary occupations are highly represented	36%
Average Annual Workplace Earnings	• Slightly higher than resident based earnings in North Devon • Both workplace and resident earnings are lower than the national average	£17,509
ECONOMIC FORECASTS		
Indicator	**Key Points**	**% Change 2013-2025**
Employment	• Sixth highest proportionate increase in Devon exceeding national average • Driven by construction, public sector and accommodation and food	+3,900 / 7.9%
Real Value Added	• Second lowest proportionate increase in Devon, lagging behind national average • Growth balanced across a number of sectors	+ £394m / 25.3%
Productivity	• One of two districts where relative productivity is forecast to decline, with growth failing to key pace with national average • Forecast to be equivalent to 81% of national average by 2025	+16.1%
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 North Devon Area Profile

1.1 This report provides a profile of North 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 North Devon

1.2 North Devon is the second largest district authority area in Devon, covering an area of 1,105,607 m^2. It is geographically peripheral, bordering the largely rural districts of Torridge, Mid Devon and West Somerset, and the coast to the north. Due to the location of Exmoor National Park within the district's borders, as well as a number of popular surfing/camping locations and Areas of Outstanding Natural Beauty on the coastline, tourism plays an important role in North Devon's economy – in 2011, total visitor related spend in the district was estimated to be £322 million.

1.3 Barnstaple; the main urban area in North Devon, is a focal point for much of the northern Devon area. In recognition of the strong links between the two neighbouring districts, North Devon Council has worked in close partnership with Torridge Council to maximise the economic performance of the area commonly known as 'Northern Devon', which has a relatively strong manufacturing and engineering sector. The 2013-2017 Northern Devon Economic Strategy acknowledges the area's strong identity in the tourism market. It also set out issues around poor skill levels, insufficient employment space, and a limited economic structure with a reliance on a small number of large manufacturers.

A Predominantly Rural Settlement with Varied Population Density

1.4 North Devon's spatial economy is varied, ranging from town and coastal settlements to large rural areas. The district has a dispersed population, and is officially classified as 'Rural 50', with at least 50 per cent, but less than 80 per cent of the population living in rural settlements and larger market towns[1]. The large majority of land in North Devon (95%) is classified as green space, accounting for 1035,163 m^2 of its total area. This is slightly higher than the county average of 92% and regional average of 91%.

1.5 The majority of North Devon's residents inhabit a few main settlements, leading to varied densities amongst the district's parishes. While the average population density is 1.1 persons per hectare for the district, this increases to 24.4 persons per hectare in Barnstaple, followed by 5.4 in Ilfracombe. In contrast, 53 of the district's 63 parishes have a population density below 1.

1.6 There are five parishes in North Devon with population levels exceeding 3,000 people (Barnstaple, Braunton, Fremington, Ilfracombe and South Molton) with Barnstaple and the coastal town of Ilfracombe the largest of these.

[1] Defra (2011) Local Authority Rural-Urban Classification

- **Barnstaple**: With a population of just over 25,000, Barnstaple is the largest conurbation in the district. Due to its size, location and relatively good local transport connections, it serves as the sub-regional administrative, distribution and retail centre for the large rural area of northern Devon, which is reflected in the employment profile of the town. In order to improve Barnstaple's growth potential, £2 million is being invested in roadworks near the town's Roundswell Business Park. It is hoped that the scheme will also open up access for future development, including the provision for around 1,100 homes and 3,000 jobs.
- **Ilfracombe**: The coastal town of Ilfracombe is the second largest settlement within the district, with a population of over 12,400. Due to its status as a popular tourist location, its employment is largely seasonal, although there are some major high technology employers in the area such as TDK Lambda and Pall. Whilst there are significant levels of deprivation in the town, there are signs of regeneration including investment being attracted into the area as a consequence of Damien Hirst's sculpture Verity being located in the town.

A Peripheral Location and with Limited Transport Connections

1.7 North Devon is on the periphery of the county, with poor road and rail connections limiting its links with major urban economies such as Exeter and Plymouth. Access out of the district along the A361 provides links to the M5 and the rest of the country, while the rail line between Barnstaple and Exeter is the only link northern Devon has to the strategic rail network. Many people from North Devon access express rail services at Tiverton Parkway station, close to the M5.

1.8 Due in part to the economic importance of Barnstaple to the district, there is a net inflow of workers into the district. According to the 2011 Annual Population Survey 8,223 people commuted into the district to work, predominantly from Torridge, whilst 4,769 residents commuted out of the district - providing a net inflow of 3,454.

Report Structure

1.9 The remainder of the report is structured as follows:

- **Chapter 2** sets out the current structure and activity of North Devon's Labour Market.
- **Chapter 3** sets out the current economic performance of the North 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 North Devon.

2 The North Devon Labour Market

Key Messages

North Devon is the fourth largest district in Devon in population terms. It is predominately rural and offers residents a choice of diverse rural locations, including rural town, fringe and villages as well as more isolated and sparse settings.

North Devon has a high employment rate, boosted by levels of self employment and part time working. While unemployment continues to be below the national average, it is higher than levels in other districts.

The skills profile of North Devon's working age population is largely in line with the county-wide profile, and exceeds the national average at all levels (particularly at NVQ L2+ and NVQ L3+). In terms of higher level skills North Devon has the fourth highest proportion of working age residents qualified to NVQ L4+ in Devon.

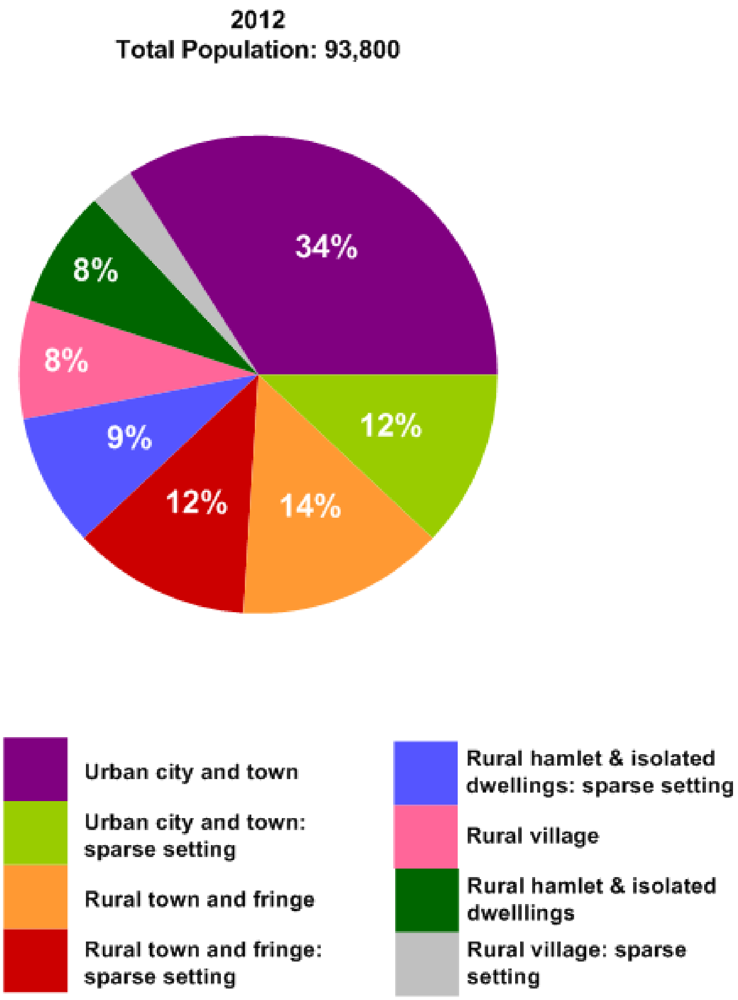
North Devon's performance against each of the key indicators covered in this chapter is summarised in the table below.

	Indicator	North Devon	Devon	England	Performance against national average
Employment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	73.7%	75.9%	71.4%	
Unemployment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of economically active population	6.6%	4.5%	7.9%	
Inactivity Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	21.2%	21.0%	22.4%	
NVQ L2+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	78.6%	77.3%	71.8%	
NVQ L4+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	35.8%	34.9%	34.2%	

Population

2.1 In 2012, North Devon's was home to 93,800 residents, accounting for 12% of Devon's total population and making it the fourth largest district in the county. The area has a mixed rural-urban profile, with just under half of the population living in towns. The district offers a diverse mix of rural areas across the district, with 22% of the population living in rural towns, fringe and villages, while 32% live in more isolated and sparse settings.

Urban-Rural split, 2012



Source: Mid-year Population Estimates, 2011 Census

Age Profile

2.2 When compared to the national profile, North Devon has a small working age population and a higher proportion of residents aged 65 and over, reflecting county wide trends.

Age Profile of the Population, 2012

	No.	%	Devon (%)	England (%)
Under 16s	16,200	17	16	19
Age 16-64	55,900	60	60	64
Over 65+	21,800	23	23	17

Source: Mid-year Population Survey

Economic Activity

2.3 Based on the latest data from the Annual Population Survey[2], North Devon has a high employment rate exceeding the national average. Compared to other districts in the county, North Devon performed less well on this indicator – with the second lowest employment rate in Devon - due to higher levels of unemployment. Although again, this was below the national average, as were levels of inactivity. Of North Devon residents who were economically inactive, the primary reasons were long-term sickness (29%), being a student (26%) and retirement (24%).

[2] Data covers period October 2012 to September 2013

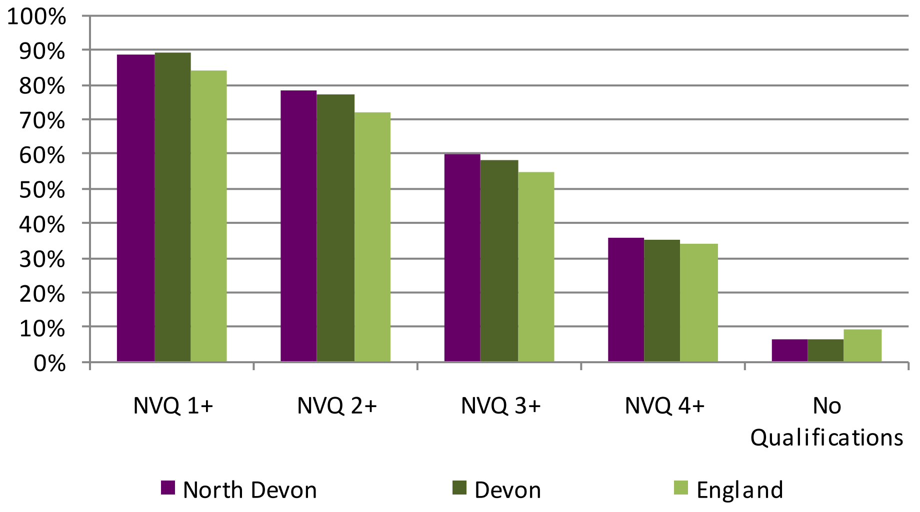
Profile of the Working Age Population 2012/13				
	No.	%	Devon (%)	England (%)
Employment rate	39,900	73.7	75.9	71.4
Unemployment rate	2,800	6.6	4.3	7.9
Inactivity rate	11,500	21.2	21.0	22.4
Source: Annual Population Survey				

2.4 North Devon's also had a high self-employment rate of 19%, outperforming the county-wide and national figures of 17% and 14%, respectively. This was the fourth highest level of self employment in Devon.

Skills

2.5 The skills profile of North Devon's working age population is largely in line with the county-wide profile, and exceeds the national average at all levels (particularly at NVQ L2+and NVQ L3+ partly reflecting the skills of residents working in the manufacturing sector). In terms of higher level skills, North Devon has the fourth highest proportion of working age residents qualified to NVQ L4+ in Devon.

Qualifications of the Working Age Population, 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

North Devon is the fourth largest district in Devon in employment terms and its role as an important employment centre for residents in Torridge is highlighted by the districts high employment density – this is the second highest in Devon after Exeter.

As well as being an important service and retail centre, North Devon also has employment specialisms in accommodation and food, reflecting the popularity of destinations within Exmoor National Park and coastal towns - and manufacturing. The latter includes a number hi-tech, advanced manufacturing companies and highly represented sub-sectors, including pharmaceuticals and electrical equipment. The district also benefits from a large business base relative to the size of the working age population.

North Devon's contribution to the county's real value added (13%) is in line with its share of total employment. The district also generates the second highest level of real value added per employment in Devon, reflecting the high levels of employment in manufacturing – one of the most productive sectors. However, in relative terms productivity continues to be challenge, with the levels equivalent to just 84% of the national average.

Reflecting the sectoral profile, process, plant and machine operatives and elementary occupations are highly represented while the proportion of highly skilled occupations is low.

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

	Indicator	North Devon	Devon	England/UK	Performance against national average
Employment density Source: BRES, Mid-year Population Estimates	Employees per 100,000 working age residents	70,352	64,799	67,699	104%
Business density Source: Business Demography, Mid-year Population Estimates	Businesses per 1,000 working age residents	68	67	60	113%
Productivity Source: LEFM	Real Value Added per Employee	£31,994	£31,897	£38,293	84%
Highly Skilled Occupations Source: Annual Population Survey	Top 3 occupational groups as % of all occupations	36%	38%	45%	
Average workplace earnings Source: ASHE	Average gross annual earnings	£17,509	£19,091	£22,199	79%

Employment

3.1 In 2012, North Devon was the fourth largest employment base in Devon with over 39,300 employees, accounting for 13% of total employment in the county. North Devon also had the second highest number of jobs for every 100,000 working age residents (approximately 70,400). This was significantly higher the county-wide, regional and national average, reflecting the area's role as an important employment location in for residents in Torridge as well as North Devon.

Employment Density, 2012

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

3.2 Mirroring the employment profile of Devon, the largest employment sectors in North Devon are wholesale & retail, health & social work and accommodation & food, which collectively account for 50% of total employment. In all three of these sectors, Mid Devon accounts for a larger proportion of Devon's employment in the sector than the district's share of the county's total employment. North Devon also makes an important employment contribution to manufacturing (20%) in Devon.

3.3 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.

3.4 In 2012, North Devon had a location quotient above one in five of the nineteen main sectors, with particularly high levels of employment in accommodation & food, manufacturing and water services. Agriculture is also a highly represented employment sector in North Devon, although the true employment figures for the sector are not captured in the data overleaf. 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.

3.5 There are a number of sectors in North Devon which are under-represented relative to the national average. These include key private service sectors such as information and communication, administration and support, and finance and insurance. Levels of employment in all three of these sectors are less than half the national average.

Employment by sector, 2012				
	Size		Concentration	
Sector	**No.**	**%**	**Sector**	**LQ**
Wholesale & retail trade	7,900	20%	Accommodation & food	2.11
Health & social work	6,100	16%	Manufacturing	1.53
Accommodation & food	5,600	14%	Utilities: water	1.39
Manufacturing	5,100	13%	Wholesale & retail	1.25
Education	3,700	10%	Health & social work	1.20
Prof., scientific and tech.	1,800	5%	Education	0.99
Construction	1,700	4%	Construction	0.98
Admin & support	1,600	4%	Arts & entertainment	0.90
Public admin	1,400	4%	Other services	0.77
Transport & storage	1,000	2%	Public admin	0.75
Arts & entertainment	900	2%	Real estate	0.66
Other services	600	2%	Utilities: electric & gas	0.63
Info. & comms.	400	1%	Prof., scientific and tech.	0.59
Real estate	400	1%	Transport & storage	0.53
Finance & insurance	400	1%	Admin and support	0.48
Utilities: water	300	1%	Mining	0.37
Utilities: electric & gas	<100	0%	Agriculture	0.31
Agriculture	<100	0%	Finance & insurance	0.27
Mining	<100	0%	Info. & comms.	0.27
Source: Business Register and Employment Survey				

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

- The strength of the manufacturing sector is being driven by a number of highly-represented subsectors, including the manufacture of pharmaceuticals, electrical equipment, other transport equipment and other machinery and equipment. The district benefits from the presence of a number of large hi-tech, advanced manufacturing companies, including Pall (which manufacturers specialist equipment for the medical industry) and TDK Lambder (a Japanese owned company which specialises in power electronics for the medical and audio equipment). There are also a cluster of smaller employers which produce parts for the marine, oil and gas industries (including J&S Marine and the US owned Park Hannifin) and the aeronautical sector (including S Molton, Easton Areospace and Aero Stanrew).

- In particular, levels of employment in pharmaceutical are almost twenty times the national average, partly reflecting the presence of Actavis, a global pharmaceutical company with a factory based in Barnstaple.

- The employment specialism in the accommodation and food sector is driven by high levels of employment in both subsectors, and particularly accommodation where employment levels are over four times the national average. This reflects the importance of the visitor economy within the district and the popularity of destinations within Exmoor National Park, such as the villages of Lynton and Lynmouth, and coastal areas such as the village of Braunton. The high levels of employment in the food and beverage sector – 1.5 times the national average – serve both the visitor economy and the wider resident base of Northern Devon.

- The visitor economy in North Devon; particularly in areas with a strong surfing focus, is tending to perform well compared to other parts of the South West.

- The reasonably high levels employment in health and social work are driven by the above-average representation of both residential care and health activities. While the fomer reflects the large retired population, increasing demand for residential care, the latter reflects the presence of North Devon district Hospital in Barnstaple.

- The retail sub-sector is driving the high levels of employment in the wholesale and retail sector, reflecting North Devon's role as a key retail centre for residents living in the northern parts of the county.
- While not reflected in the statistics, there are also examples of diversification within the agricultural sector such as Mole Valley Farmers – a large chain of rural traders who now operate in renewable energy.

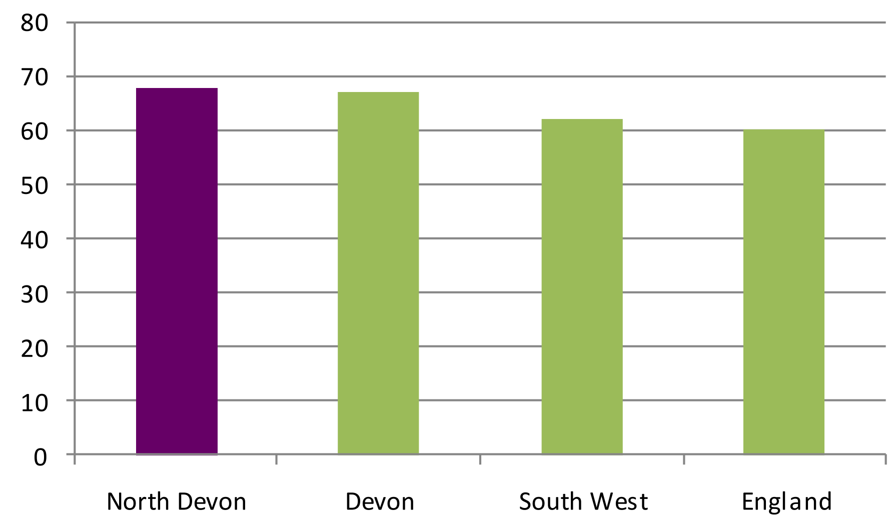
Employment specialisms, 2012		
Sector	**No.**	**LQ**
Manufacture of basic pharmaceutical products	1,100	19.52
Manufacture of electrical equipment	500	4.72
Accommodation	2,400	4.32
Manufacture of other transport equipment	500	2.77
Manufacture of machinery and equipment n.e.c.	600	2.05
Advertising & market research	400	1.64
Food & beverage service	3,300	1.54
Retail	5,500	1.39
Residential care	1,400	1.37
Health	3,500	1.21
Source: Business Register and Employment Survey		

The Business Base

3.7 North Devon has a large business base relative to the size of its working age population. In 2012, the district had over 3,700 businesses, translating to a business density of 68 businesses for every 1,000 working age residents, exceeding the county-wide, regional and national average. This was the sixth highest density across the Devon districts.

3.8 This is partly explained by the higher number of micro businesses in the district, with 86% of businesses employing fewer than ten people in 2012. This is slightly higher than the county-wide figure of 85% and the national average of 83%.

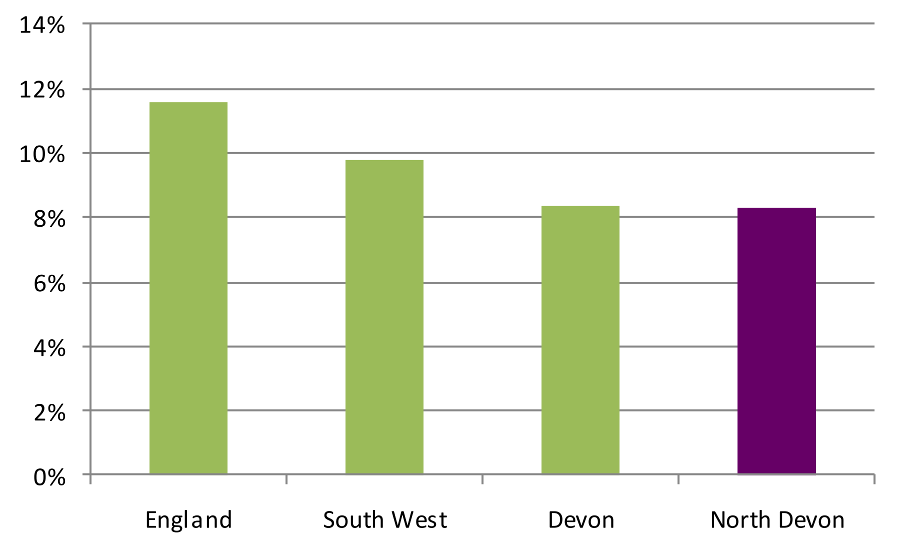
Business Density 2012 – businesses per 1,000 working age residents



Source: Business Demography

3.9 In 2012, North Devon's start-up rate was 8.3%, with 315 business births that year. This was the fourth highest start up rate in Devon, but fell short of the regional and national average of 9.8% and 11.6% respectively. For North Devon to reach national levels, an additional 125 business births would have been required (an uplift of 40%).

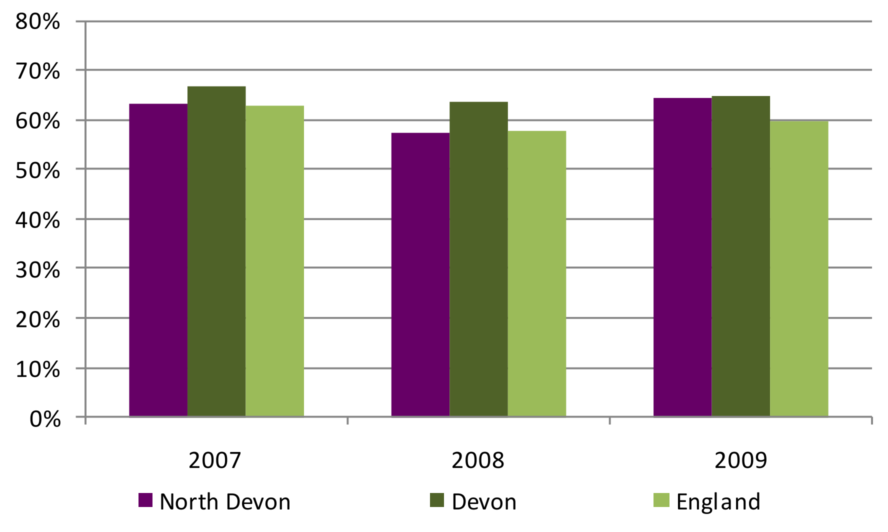
Business Start Up Rate 2012 – births as % of active businesses



Source: Business Demography

3.10 In terms of survival rates, of those businesses that were set up between 2007 and 2009, up to 64% 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

3.11 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[3].

3.12 While data is not available at the district level through the Regional Accounts produced by the Office for National Statistics (ONS)[4], estimates produced by 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.

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

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

3.13 The model estimates that North Devon generated £1,571m of real value added in 2012, accounting for 13% of total value added in Devon. This is in line with the area's share of total employment.

Productivity

3.14 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 North Devon, where £31,994 of value added was generated per employee in 2012, equivalent to just 84% of the national average. The district does however have the second highest productivity levels in Devon. This partly reflects the high levels of employment in manufacturing, which generates the second highest level of value added per employee and also exceeds the national average for the sector. There are however, two ways in which sectors contribute to the productivity challenge which North Devon faces:

- **Sector performance:** In 2012, the productivity levels of nine sectors in North Devon were below the national average. The extent of the disparity varied significantly by sector, ranging from the productivity of the business and finance sector being equivalent to just 62% of the national average to the other services sector reaching 98%. The relative productivity levels of the information and communication and business and finance sectors were also particularly low.

- **Sector mix:** Several of the sectors which are highly represented in North Devon in employment terms typically generate lower levels of value added, including accommodation and agriculture. In 2012, the productivity levels of both of these sectors were below the district-wide average.

Productivity By Sector 2012

Sector*	£	Sector	% of UK
Utilities	£87,000	Manufacturing	107%
Manufacturing	£56,016	Public sector	103%
Info & comms	£45,000	Other services	98%
Construction	£36,467	Accommodation & food	96%
South West Sector Average	£33,696	South West Sector Average	88%
North Devon Sector Average	£31,994	Distribution, hospitality	87%
Public sector	£31,985	Agriculture	87%
Devon Sector Average	£31,897	North Devon Sector Average	84%
Business & finance	£30,034	Devon Sector Average	83%
Transport & storage	£28,067	Construction	83%
Distribution, hospitality	£25,741	Utilities	78%
Other services	£25,737	Transport & storage	76%
Accommodation & food	£17,652	Info & comms	70%
Agriculture	£15,083	Business & finance	62%

*Excludes mining because employment=0
Source: Cambridge Econometrics LEFM

Occupational Profile

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

3.16 In 2012/13[5], North Devon had the fourth highest proportion of employees working in highly skilled occupations (36%) in the county. However, this was lower than the county wide average of 38% and the national average of 45%.

3.17 The shortfall is a result of low levels of managerial and particularly professional occupations.

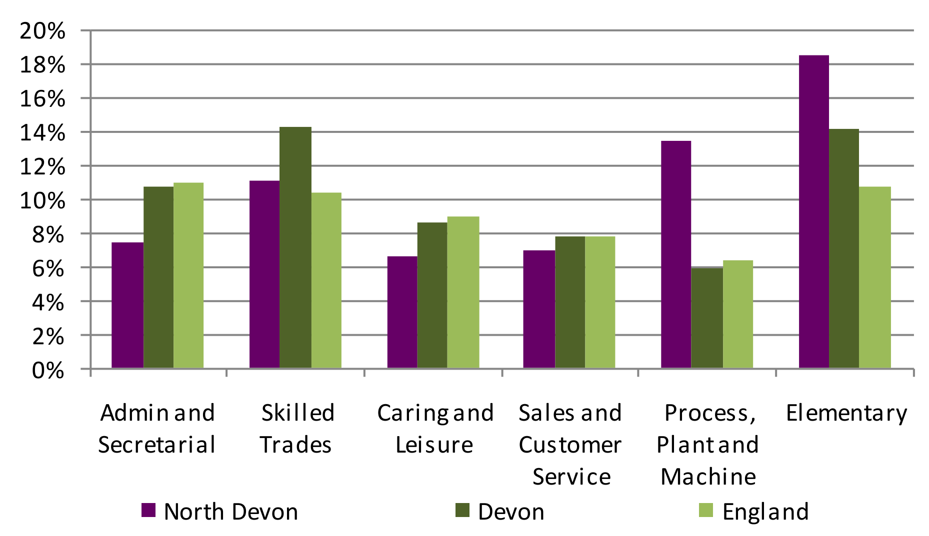
[5] Data covers the period October 2012 to September 2013

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

Source: Annual Population Survey

3.18 When considering other occupational categories, the main areas of variation are the high representation of elementary and process, plant and machine operatives. The representation of process, plant and machine operatives (13%) is over double that of Devon and England (both 6%) and reflects the significant employment levels in manufacturing. The high levels of elementary occupations reflect high levels of employment in the accommodation and food, retail and residential care sector.

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



Source: Annual Population Survey

Average Earnings

3.19 Both workplace and resident based average annual earnings are low and lag behind the national average, While workplace base earnings are slightly higher than resident based wages, they are equivalent to just 79% of the national average.

Average Gross Annual Earnings, 2012			
	North Devon	% of Devon	% England
Workplace based	17,509	92%	79%
Resident based	16,718	88%	75%
Source: Annual Survey of Hours and Earnings			

4 Economic Forecasts

Key Messages

The economic forecasts for North Devon are mixed. Employment growth is forecast to exceed the national average resulting in the fifth highest net employment increase in the county and the sixth highest proportionate increase. Construction, the public sector and accommodation and food are each forecast play an important role in job creation.

However, growth in real value added is expected to lag behind the national average and result in the county's second lowest proportionate increase, partly reflecting the low levels of output generated by the accommodation and food sector where employment is forecast to increase significantly. Overall, real value added growth is expected to be more balanced across a number of sectors, including manufacturing, where jobless growth is forecast.

As a result of conflicting employment and real value added trends, North Devon is one of two districts where the relative levels of productivity are expected to deteriorate. By 2025 it is expected that North Devon's productivity levels will be just 81% of the national average (compared to 83% in 2013), resulting in productivity levels falling from being the second highest in the county to the fourth highest.

North Devon	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment Source: LEFM	4.1%	3.7%	7.9%	6.9%
Real Value Added Source: LEFM	13.7%	10.2%	25.3%	27.1%
Productivity Source: LEFM	9.3%	6.2%	16.1%	18.9%

The Local Economic Forecasting Model

4.1 This section of the profile summarises the economic forecasts for North 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 North Devon is forecast to increase by 8%, creating an additional 3,900 additional jobs. This is the fifth highest net increase forecast across Devon's districts – reflecting the scale of the employment base, and the sixth highest proportionate increase. Overall, North 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
North Devon	49,100	51,100	53,000	2,000	1,900	4%	4%
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 later part of the forecast period (i.e. between 2020 and 2025).

Real Value Added

4.10 Unlike employment however, growth in North Devon's real value added is forecast (+25%) to fall behind both the regional and national average (+27%). Further, In the county context, North Devon is forecast to experience the fifth highest net increase in value added - of £394m – and the second lowest proportionate increase. The dynamics driving these trends are explored within the sectoral analysis in the following sections.

Real Value Added, 2013-2025							
	Real Value Added (£m)			Net Change		% Change	
Area	2013	2020	2025	2013-2020	2020-2025	2013-2020	2020-2025
North Devon	1,559	1,773	1,954	214	180	14%	10%
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: Business Register and Employment Survey							

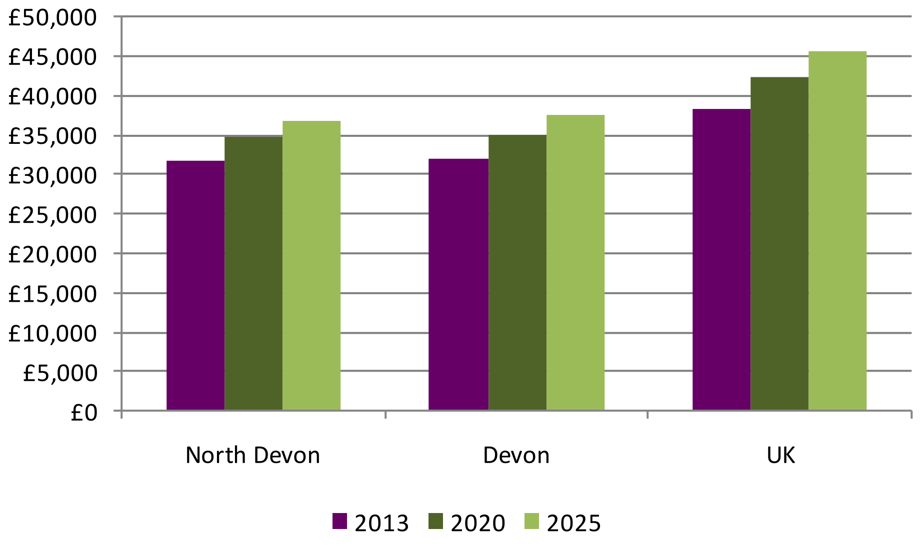
4.11 Overall, North Devon's contribution to Devon's total value added is expected to remain static between 2013 and 2025.

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 £36,862 of value added generated per employee in North Devon by 2025, performance against the national average is forecast to be less positive.

4.13 North Devon is one of two districts where the relative position is forecast to deteriorate with real value added growth forecast to be below the national average, despite above average levels of employment growth. By 2025, it is expected that North Devon's productivity levels will be just 81% of the national average (compared to 83% in 2013). In the Devon context, the deterioration will also result in North Devon falling from having the second highest productivity levels in the county to the third highest.

Productivity levels, 2013-2025 (value added per employee)



Source: Cambridge Econometrics LEFM

Sectors – Forecast Absolute Growth

4.14 The majority of sectors in North Devon are forecast to grow or remain static in both employment and real value added terms between 2013 and 2025, with the exception of agriculture and manufacturing which are expected to experience employment decline. Construction, the public sector and accommodation and food are projected to drive employment growth, collectively accounting for 75% of additional jobs. The forecast net increase in each of these sectors is expected to be almost double the increase of any other sector. In comparison, the real value added forecasts are based upon more balanced growth across a number of sectors, including significant increases within the public sector, business and finance and manufacturing.

Net change, 2013-2025 – ranked by greatest level of change							
Employment				Real Value Added (£m)			
Sector	2013-2020	2020-2025	2013-2025	Sector	2013-2020	2020-2025	2013-2025
Construction	800	300	1,100	Public sector	37.6	44.0	81.6
Public sector	300	600	900	Business & finance	38.6	34.5	73.1
Accommodation & food	300	600	900	Manufacturing	36.4	28.8	65.2
Distribution, hospitality	300	200	500	Construction	36.7	19.9	56.6
Business & finance	300	200	500	Distribution, hospitality	25.6	18.6	44.2
Other services	100	100	200	Accommodation & food	17.9	15.2	33.1
Transport & storage	100	0	100	Other services	7.4	5.5	12.9
Utilities	0	100	100	Transport & storage	4.5	4.5	9
Mining	0	0	0	Info. & comms.	4.3	3.5	7.8
Info & comms.	0	0	0	Utilities	3.6	4	7.6
Agriculture	-100	0	-100	Agriculture	1.3	1.9	3.2
Manufacturing	-200	-200	-400	Mining	0	0	0
Source: Cambridge Econometrics LEFM							

4.15 Other key points to note include:

- **The role which sectors play in driving growth will vary:** There are a number of key differences between the sectors which will drive job creation and those which will make a greater contribution in value added terms reflecting varying productivity levels. In particular, construction and accommodation and food will be a key employment creation sector (with low levels of value added growth), while the business and finance make a more significant contribution to value added growth than employment growth. There will also be cases of job-less growth in information and communications, transport and storage (between 2020 and 2025) and, in particular, in manufacturing.
- **The timing of growth is expected to vary:** Construction is forecast to make a more significant contribution to employment growth between 2013 and 2020, while the public sector and accommodation and food are expected to play a greater role between 2020 and 2025. The growth in the remaining sectors is expected to be broadly similar in both periods. 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

4.16 The slightly higher than average levels of employment growth forecast for North Devon are driven by two main factors: (i) the growth level in five sectors (and particularly construction) outpacing the national average and compensating for lower levels of growth three sectors; and (ii) the lower levels of decline forecast for the manufacturing sector.

4.17 While real added value growth in North Devon is forecast to exceed the national average in six of the twelve sectors (business and finance, construction, other services, agriculture, utilities and distribution and hospitality), several of these sectors typically generate a lower level of value added per employee than sectors where North Devon's value added growth is expected to lag behind the national average. This is particularly true in the case of the agriculture and distribution. This, and the deterioration of relative productivity levels in key sectors (as covered in the following section), results in the overall value added forecasts for the North Devon economy being much lower than the national average.

Growth Rates 2013-2025 – ranked by fastest growing					
Employment			Real Value Added		
Sector	**North Devon**	**UK**	**Sector**	**North Devon**	**UK**
Construction	38%	19%	Construction	54%	33%
Utilities	20%	13%	Business & finance	42%	38%
Accommodation & food	15%	16%	Info. & comms.	34%	46%
Other services	11%	9%	Accommodation & food	29%	30%
Business & finance	8%	12%	Other services	26%	24%
Transport & storage	7%	9%	Transport & storage	21%	21%
Public sector	7%	4%	Manufacturing	20%	22%
Distribution, hospitality	6%	3%	Distribution, hospitality	20%	15%
Info. & comms.	0%	17%	Public sector	19%	20%
Manufacturing	-6%	-11%	Utilities	17%	9%
Agriculture	-9%	-5%	Agriculture	17%	12%
Mining	-	-7%	Mining	0%	8%
Source: Cambridge Econometrics LEFM					

Sectoral Productivity

4.18 While productivity levels are expected to increase across all but one of North Devon's sectors (utilities) 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 eight sectors:** (accommodation and food, distribution, construction, agriculture, utilities, transport and storage information and communications and business and finance) by up to 3 percentage points;
- **Increase in two sectors:** (public sector and manufacturing) by up to 6 percentage points;
- **Remain static in other services.**

4.19 While the productivity levels of the public sector are expected to remain in line with the national average by 2025, those of the manufacturing sector are forecast to fall behind (from 101% in 2013 to 95% in 2025). The deterioration of their relative position is one of the main factors contributing to the projections that overall productivity levels in North Devon will fall to just 88% of the national average.

Productivity By Sector, 2013-2025						
	2013		2020		2025	
Sector*	**£**	**% UK**	**£**	**% UK**	**£**	**% UK**
Public sector	31,482	103%	33,493	101%	35,130	100%
Manufacturing	53,145	101%	60,983	97%	68,052	95%
Other services	25,684	98%	28,100	99%	29,381	98%
Accommodation & food	18,226	97%	20,138	98%	20,577	98%
Distribution, hospitality	25,943	86%	27,922	87%	29,337	87%
Construction	36,345	84%	38,405	84%	40,500	85%
Agriculture	17,091	84%	20,100	92%	22,000	92%
Mid Devon Total	**31,758**	**83%**	**34,703**	**82%**	**36,862**	**81%**
Utilities	88,000	80%	95,200	89%	86,000	81%
Transport and storage	29,133	77%	30,125	75%	32,938	79%
Info. & comms.	38,500	62%	45,667	66%	51,500	66%
Business & finance	29,712	61%	34,500	63%	38,813	65%
South West	**33,934**	**89%**	**37,504**	**89%**	**40,734**	**89%**
*Mining excluded because employment=0 Source: Cambridge Econometrics LEFM						

Sectoral Profile

4.20 Overall, despite the changes outlined above, the sector profile of the North Devon economy is forecast to remain largely unchanged in both employment and real value added terms. The high levels of employment growth forecast for construction and accommodation and food are however expected to increase the sectors' shares of total employment causing the overall contribution of other sectors, including the public sector to decrease. The construction sector's share of real value added is also expected to increase slightly, as is the contribution of the business and finance sector.

5 Key Messages and Implications

Key Strengths

A Key Employment, Retail and Service Centre in Northern Devon

5.1 North Devon, and in particular Barnstaple, is a key employment, retail and service centre in the Northern part of the county. Accounting for 13% of employment and real value added in Devon, and also reporting the second highest employment density, it punches slightly above the weight of its resident population. The district provides a range of employment opportunities for North Devon residents as well as in-commuters from surrounding districts and particularly Torridge. Ensuring the ongoing success of the North Devon economy will therefore generate benefits beyond the district's boundaries.

An Attractive Natural Environment Supporting the Visitor Economy

5.2 North Devon benefits from the presence of Exmoor National Park within its boundaries, as well as number of popular surfing/camping locations and Areas of Outstanding Natural Beauty on the coastline. This supports a large visitor economy and high levels of employment in accommodation and food services, as well as the retail sector, where visitor expenditure will also be captured. Recent private sector investment has helped to improve the campsite offer, and continual investment (in tourism and retail services) is required to improve the quality of the tourism offer and maintain visitor appeal.

Positive Forecasts for Employment Growth

5.3 Employment growth between 2013 and 2025 is forecast to exceed the national average resulting in the fifth highest net employment increase. Construction, the public sector and accommodation and food are forecast to play an important role in job creation and will provide a wide range of employment opportunities for local residents.

Key Challenges

Stabilising the Manufacturing Sector

5.4 Manufacturing continues to be one of the largest employment sectors in the district, accounting for 13% of total employment. As one of the most productive sectors in North Devon, it also makes an important contribution to real value added and is one of the main reasons why the district generates the second highest levels of real value added per employee in the county. There is evidence that the sector has began to diversify in North Devon, with the presence of a number of large hi-tech, advanced manufacturing companies and smaller companies which supply growing sub-sectors.

5.5 Manufacturing will continue to be important in the district and is forecast to make a substantial contribution to forecast real value added growth in North Devon and be an important source of replacement demand over the next ten years. However

Diversifying the Economy and Increasing the Quality of Employment Opportunities

5.6 While North Devon has a high employment density, with the exception of manufacturing, the largest and highly represented employment sectors are characterised by low pay and low-value added jobs. This impacts upon the occupational profile of the district, with a below average concentration of highly skilled occupations, and also the average workplace earnings which are equivalent to just 79% of the national average. When coupled with the skills profile of the district's working age population, it suggests that some residents may be under-employed and that their full economic potential is not being realised.

5.7 While the forecasts include employment growth in the business and finance sector, capturing a larger share of growth in the private service sectors which are currently under-represented in North Devon, including other professional and business services and information and communications, will help to diversity the economy and increase the quality of employment opportunities available.

Supporting Local Residents to Access Highly Skilled and Growing Occupations

5.8 While the skills profile of North Devon's working age population exceeds the national average at all levels (particularly at NVQ L2+ and NVQ L3+), there is anecdotal evidence that employers experience difficulties in recruiting residents with higher levels skills. The differential between workplace and resident based earnings suggests that higher paid posts are held by in-commuters. Improving access to higher education and equipping residents with the skills they need to access and progress in employment, including the specific needs of growth sectors, would help to reduce unemployment (which is reasonably high in the Devon context). It would also help to enhance the employment prospects of residents, deliver overall growth opportunities and support the retention of a higher level of expenditure within the local economy.

Closing the Productivity Gap – A Long Term Challenge

5.9 At present, North Devon is one of the most productive districts in Devon but real value added per employee is just 84% of the national average and forecasts for value added growth to lag behind the national average suggest this position will deteriorate over time. As one of only two districts forecast to see a deterioration in relative productivity levels (to 83% of the national average by 2025), its under-performance is becoming more 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	-