South Hams Area Profile

Produced for Devon County Council

February 2014

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South Hams in Summary

CONTRIBUTION TO THE DEVON ECONOMY		
South Hams is the fifth largest district in Devon in both size and employment terms and has the highest business density. Due to the location of Dartmoor National Park within the district's borders, the coastline having Area of Outstanding Natural Beauty status, as well as a number of popular tourist attractions, tourism plays an important role in the South Hams economy. The area's roles are reflected in its sectoral structure as is South Hams' employment specialism in manufacturing.		
Indicator	**2012**	**% of Devon**
Employment	32,000	11%
Businesses	4,300	14%
Real Value Added	£1,239m	10%
Population	83,600	18%

LABOUR MARKET		
Indicator	**Key Points**	**Latest Position**
Employment Rate	• Exceeds the national average • Second highest employment rate in Devon (linked to unemployment levels)	78.0%
Unemployment Rate	• Below the national average • Third highest unemployment rate in Devon	6.2%
Inactivity Rate	• Below the national average • Lowest inactivity rate in Devon	16.8%
NVQ L2+	• Skills profile exceeds the national average at all levels	75.5%
NVQ L4+	• Highest proportion qualified to NVQ4+ in Devon	46.1%

CURRENT ECONOMIC PERFORMANCE		
Indicator	**Key Points**	**Latest Position**
Employment Density	• Small employment base relative to size of working age population – density lags the national average • Third highest in Devon	65,676 per 100,000 working age residents
Business Density	• Business density exceeds the national average • Highest business density in Devon • Average 3 year survival rates and low start up rate	87 per 1,000 working age residents
Productivity	• Equivalent to 80% of the national average • Fourth highest productivity levels in Devon	£30,732 per employee
Highly Skilled Occupations	• Under represented due to shortage of professionals and associate professionals • Skilled trades, caring and leisure and elementary occupations are highly represented	26%
Average Annual Workplace Earnings	• Lower than resident based earnings in South Hams • Both workplace and resident earnings are lower than the national average	£20,301

ECONOMIC FORECASTS		
Indicator	**Key Points**	**% Change 2013-2025**
Employment	• Second highest proportionate increase in Devon exceeding national average • Driven by construction, information & communication and business & finance.	+4,100 / 10.1%
Real Value Added	• Second highest proportionate increase in Devon, exceeding the national average • Highest growth in business and finance	+ £398.6m / 31.9%
Productivity	• Productivity forecast to increase, with relative levels remaining static • Forecast to be equivalent to 81% of national average by 2025	+19.7%

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 European 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 South Hams Area Profile

1.2 This report provides a profile of South Hams, 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, added value and productivity.

Introducing South Hams

1.3 South Hams is the fifth largest local authority area in Devon, bordering the major urban areas of Torbay to the east, and Plymouth to the west, and covering an area of approximately 905,232m^2. The north of the district includes part of Dartmoor National Park whilst the entire coastline is designated an Area of Outstanding Natural Beauty (AONB). This natural environment is a major economic asset of the district generating millions of pounds through tourism and agri-environment support schemes – in 2011, total visitor related spend in South Hams was estimated to be £234.2 million. As an area, it is at the vanguard of the environmental movement and is a significant residential area for commuters to localities outside of the district.

A Predominantly Rural District

1.4 South Hams 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. Reflecting this status, the district has a low population density of 1.04 persons per hectare, compared to the England average of 4.1. Of the district's 61 parishes, just four have a population density above this average. In parts of the district this presents challenges for access to employment and services. The largest proportion of land in South Hams is classified as green space, accounting for 832,628m^2, or 92% of its total area.

1.5 There are six parishes in South Hams with population levels exceeding 3,000 people (Bickleigh, Dartmouth, Ivybridge, Kingsbridge. South Brent and Totnes), the largest of which are Ivybridge and the market towns of Totnes, Kingsbridge, and Dartmouth:

- **Ivybridge**: With a population of 12,425, Ivybridge is the largest urban area in South Hams and is located within 15 minutes travel time of Plymouth. The district has experienced significant growth since the 1960's (largely due to its access and proximity to Plymouth). However, it is largely viewed as a dormitory settlement, with development in services and facilities having not kept pace with the rapid expansion in population.
- **Totnes**: Located approximately 22 miles south of Exeter, Totnes is the second largest town in the district with a population of 8,435. The town is a major focus for leisure and tourism, partly attributable to its outstanding built heritage, and serves as the administrative centre of the South Hams District Council. In 2007, Totnes became the first town in the UK to introduce a local alternative currency supporting its prominence as a 'transition town'. Fourteen months later, 70 businesses within the town were trading the 'Totnes pound', enabling the full impact of economic spend to be retained.

- **Kingsbridge**: The market town of Kingsbridge lies at the head of the Salcombe and Kingsbridge estuary and has a population of 6,036. Geographically, Kingsbridge is more peripheral when compared to Totnes (Exeter is approximately an hour away by car), although its proximity to the south Devon coast and positioning within the South Devon Area of Outstanding Natural Beauty means that the area remains popular with tourists.
- **Dartmouth**: The coastal town of Dartmouth is the fourth largest settlement in South Hams, with a population of 5,446. Its location on the southern bank of the river Dart has provided the town with a rich marine heritage and is home to the Britannia Royal Naval College (which is now the only naval college in the UK). Whilst tourism is a key driver of the local economy, diversification is a priority, with identified opportunities to link marine and light industrial commercial activity.

A Varied Transport Infrastructure and Net Outflow of Commuters

1.6 South Hams is generally well connected. The A38 dual carriageway crosses the northern third of the district, providing access to both Plymouth and Exeter, whilst the railway station at Totnes provides a direct hourly service to London Paddington, with a journey time of less than three hours. However, the central and southern parts of the district are more rural with less connectivity to strategic routes. In particular, Kingsbridge, Dartmouth and their rural hinterlands are some of the most distanced from the regional road and rail routes, and experience a range of difficulties associated with peripherality.

1.7 The 2011 Annual Population Survey indicated a commuting outflow of 15,117 from the district, and inflow of 11,950, providing a net flow of workers out of the district of 3,167. As might be expected given its geographical position, the largest proportion of all out-commuters went to the large urban areas of Plymouth and Torbay.

Report Structure

1.8 The remainder of the report is structured as follows:

- **Chapter 2** sets out the current structure and activity of South Hams' labour market.
- **Chapter 3** sets out the current economic performance of South Hams' 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 South Hams.

2 The South Hams Labour Market

Key Messages

South Hams is a predominantly rural district, reporting the highest level of rural residency of Devon's eight districts. It is home to a small working age population and above average proportion of people aged 65 years and above, reflecting the attractive locations offered for retirees.

The district's working age population report the second highest employment rate in Devon and the lowest inactivity rate. The area has a skilled population, with the proportion of working age residents qualified to NVQ Level 4 + significantly exceeding both the Devon and England average.

South Hams' performance against each of the key indicators covered in this chapter is summarised in the table below.

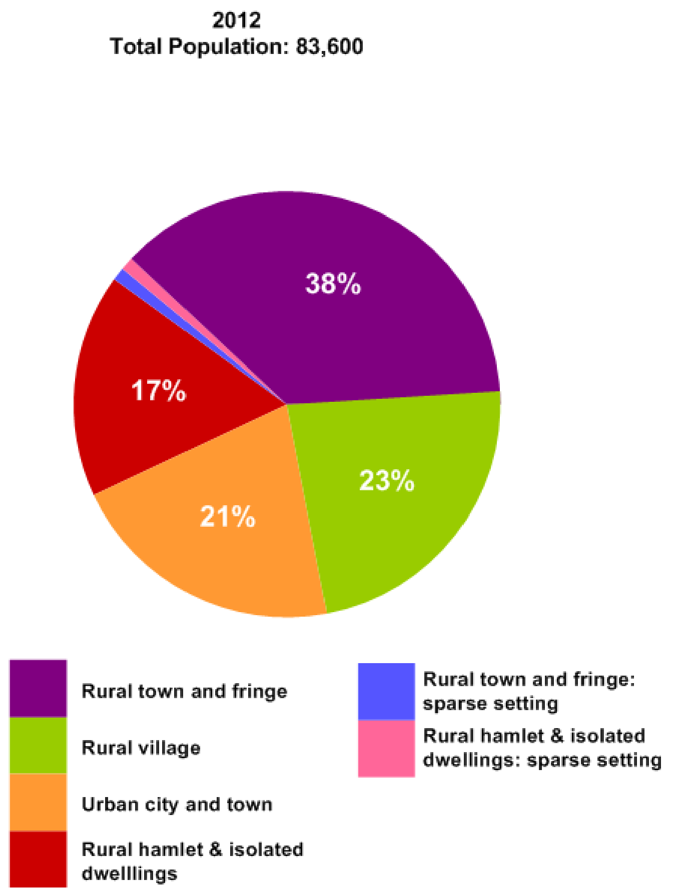
	Indicator	South Hams	Devon	England	Performance against national average
Employment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	78%	75.9%	71.4%	
Unemployment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of economically active popualtion	6.2%	4.5%	7.9%	
Inactivity Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	16.8%	21%	22.4%	
NVQ L2+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	75.5%	77.3%	71.8%	
NVQL4+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	46.1%	34.9%	34.2%	

Population

2.1 South Hams has the fifth largest population of Devon's districts and in 2012, had a total population of 83,600 (accounting for 11% of Devon's total population). The area has a predominantly rural population with only 21% of its residents living in urban towns/cities. This profile contrasts that of Devon; a mixed rural/urban county with 48% of its total residents living in urban areas.

2.2 At 79%, South Hams the highest proportion of rural residency across all districts in Devon. This is split between a diverse range of settlements, including rural towns and fringe (38%), rural villages (23%) and rural hamlets and isolated areas (17%).

Urban-Rural Population Split



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

Age Profile

2.3 South Hams has a relatively small working age population (59%) when compared to national averages (64%). This is due to the district being home to a high proportion of residents aged 65 and over, which account for a quarter of all residents compared to just 17% nationally.

Age Profile of the Population 2013				
	No.	%	Devon (%)	England (%)
Under 16s	13,400	16%	16%	19%
Age 16-64	49,400	59%	60%	64%
Over 65+	20,900	25%	23%	17%
Source: Mid Year Population Survey				

Economic Activity

2.4 The latest data from the Annual Population Survey[1] highlights the exceptionally high employment rate in South Hams (the second highest in Devon), linking to the low inactivity rates in the district. At just 16.8% (compared to 22.4% nationally), South Hams has the lowest inactivity rate amongst its working age population of all districts in Devon. The high level of employment in the district may also be influenced by the slightly higher than average self employment rate, which stands at 15.2% (compared to the national average of 13.7%).

2.5 The main reasons for economic inactivity in South Hams were being a student (29%), looking after family/home (25%), retirement (24%) or long term sick (20%).

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

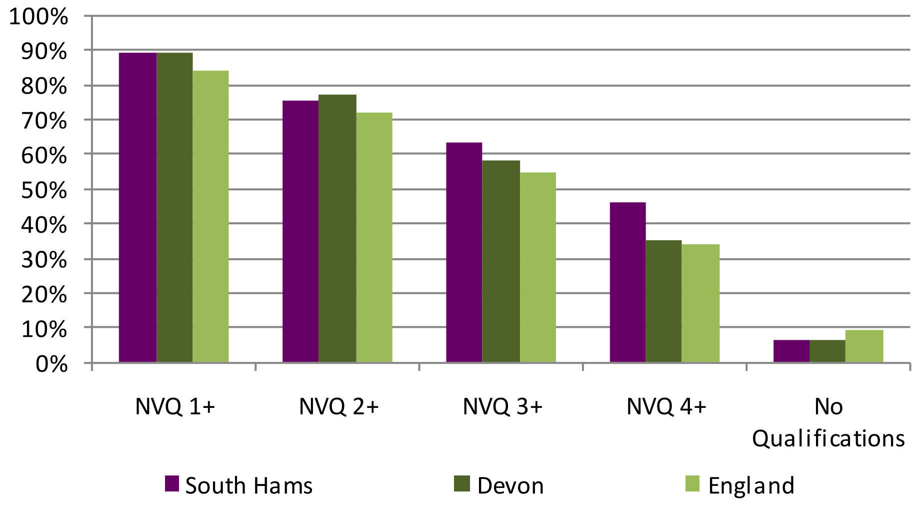
Profile of the Working Age Population 2012/13				
	No.	**%**	**Devon (%)**	**England (%)**
Employment rate	38,300	78.0	75.9	71.4
Unemployment rate	2,500	6.2	4.3	7.9
Inactivity rate	8,300	16.8	21.0	22.4
Source: Annual Population Survey				

Skills

2.6 The working age residents of South Hams are notably more highly qualified than the profile seen nationally and Devon wide. South Hams has a higher proportion of people qualified to all NVQ levels than nationally and with the exception of NVQ Level 2, also outperforms the average levels seen across Devon. The gap between levels of qualifications in South Hams and the county widens as the qualification level increases. In line with Devon's average, there is a lower proportion of people in South Hams with no qualifications than nationally.

2.7 When compared to the other local authorities in Devon, South Hams ranks the highest in terms of people qualified to NVQ Level 4+, currently standing at 46% of working age residents compared to 35% nationally.

Qualifications of the Working Age Population 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

Approximately 32,000 people are employed in South Hams, making it the fifth largest employment location in Devon. The area's small working age population means that the district has a higher than average employment density, ranking third at the district level and exceeding the Devon average.

The sectoral make up of employment includes strengths in wholesale and retail, accommodation and food, health and social work and traditional manufacturing. Relative to Devon, it also has specialisms in information and communications and mining and quarrying employment.

South Hams reports Devon's highest business density, despite below average start up rates, buoyed by strong survival rates. Although reporting a strong employment base, the area's contribution to real value added lags its share of employment. Productivity is just 80% of the national average and is ranked fourth of the eight districts in Devon.

Skilled trade, caring and leisure and elementary occupations dominate while highly skilled occupations are under-represented in the district, with particular gaps in associate professional and professional occupations. As a result, workplace earnings are just 86% of the Devon level and, on average, residents who travel outside the area for work have higher earnings than people working locally.

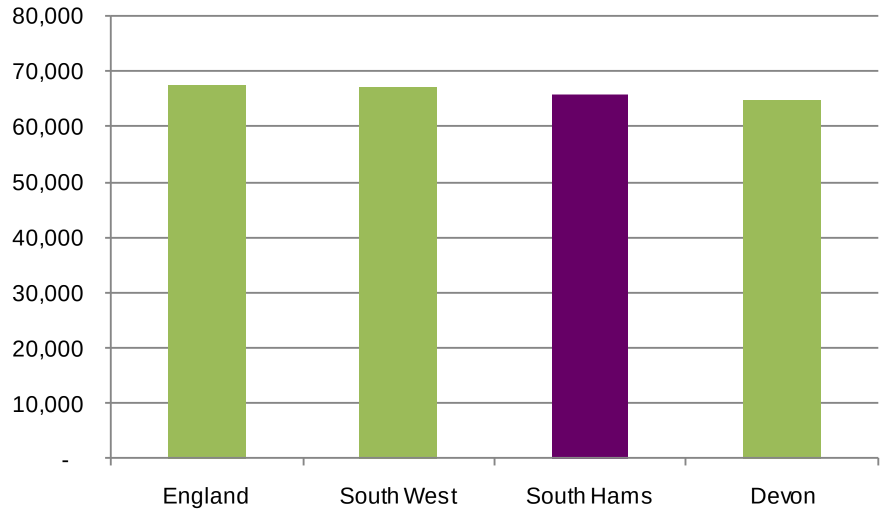
South Hams' performance on each of the key indicators covered in this chapter is summarised in the table below.

	Indicator	South Hams	Devon	England	Performance against national average
Employment density Source: BRES, Mid-year Population Estimate	Employees per 100,000 working age residents	65,676	64,799	67,699	97%
Business density Source: Business Demography, Mid-year Population Estimates	Businesses per 1,000 working age residents	87	67	60	144%
Productivity Source: LEFM	Real Value Added per Employee	£30,732	£31,897	£38,293	80%
Highly Skilled Occupations Source: Annual Population Survey	Top 3 occupational groups as % of all occupations	26%	38%	45%	
Average workplace earnings Source: ASHE	Average Gross Annual Earnings	£20,301	£23,470	£27,376	74%

Employment

3.1 In 2012, there were over 32,000 employees in South Hams, ranking the district fifth highest in terms of employment size in the county. South Hams accounts for 11% of total employment in Devon and has an employment density of 65,676 employees per 100,000 working age residents. Although higher than the Devon employment density, this figure still falls short of regional and national numbers. To reach an employment density in line with England, South Hams would require 1,000 additional jobs (an uplift of 1.5%). In comparison with the other local authority areas in Devon, South Hams ranks third in employment density terms.

Employment Density 2012 – Employees per 100,000 Working Age Residents



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

3.2 The largest employment sector in South Hams is wholesale and retail, mirroring the county wide profile and accounting for a fifth of employment. Further high employment sectors in South Hams and the whole of Devon are accommodation and food and health and social work activities, collectively accounting for 23% of employment in South Hams.

3.3 Manufacturing is also a large employment sector accounting for a slightly higher proportion of employment in South Hams than county wide (11% compared to 9%). This is partially attributable to the boat building tradition in parts of South Hams, for example Totnes with its location on the estuary of the River Dart, and the presence of employers such as Ambrosia (food processing) and Valeport (manufacturers of oceanographic instruments).

3.4 While South Hams accounts for 11% of total employment in Devon, its contribution to nine sectors is much higher. In particular, the district accounts for 20% of Devon's information and communications employment and 15% of the county's mining and quarrying employment, reflecting local employment specialisms, such as mineral and metal deposits mining which is still active around the Plymouth fringe. Certain sectors contribute less significantly, such as the financial and insurance sectors, where South Hams makes only a 6% contribution to overall employment in Devon.

3.5 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.

3.6 In 2012, South Hams had a location quotient above one in ten of the nineteen main sectors, with particularly high levels of employment in mining and accommodation and food. These are employment specialisms found across many of the districts in Devon and reflect regional strengths in these areas.

3.7 The high quality natural environment found in South Hams and its location within Dartmoor National Parks boundaries, makes the area an attractive visitor destination and the district has responded to tourism by ensuring there is a large accommodation and food services sector to meet demand.

Employment by Sector 2012				
	Size		**Concentration**	
Sector	**No.**	**%**	**Sector**	**LQ**
Wholesale & retail	6,600	20%	Mining	2.10
Accommodation & food	4,100	12%	Accommodation & food	1.85
Manufacturing	3,700	11%	Manufacturing	1.34
Health & social work	3,500	11%	Real estate	1.28
Education	2,400	8%	Wholesale & retail	1.26
Public admin	1,700	5%	Other services	1.21
Construction	1,600	5%	Info. & comms.	1.19
Info and comms.	1,600	5%	Construction	1.13
Admin & support	1,500	5%	Public admin	1.11
Prof., scientific and tech.	1,400	4%	Arts & entertainment	1.05
Transport & storage	1,300	4%	Transport & storage	0.85
Arts & entertainment	800	3%	Health & social work	0.84
Other services	800	2%	Utilities: water	0.79
Real estate	700	2%	Education	0.78
Finance and insurance	300	1%	Prof., scientific and tech	0.56
Utilities: water	200	1%	Admin & support	0.54
Agriculture	<100	0%	Utilities: electric & gas	0.53
Mining	<100	0%	Agriculture	0.41
Utilities: electric & gas	<100	0%	Finance and insurance	0.25
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 South Hams become more apparent. In particular, the analysis shows that:

- The high level of employment in manufacturing is driven by a number of sub-sectors being highly represented (manufacture of furniture, manufacture of computers and electronics and manufacture of rubber and plastic). Specialisation in the manufacture of furniture is contributed to by several significant companies in South Hams, including, Hazelwood Joinery and Jeremy Wright. The district's specialisation in manufacture of rubber and plastic is influenced by the presence of Bandvulc tyres and South Hams' high levels of China Clay mining. This is a relatively rare resource which has multiple applications, including the manufacture of rubber and plastic products.

- High levels of employment in the accommodation and food sector are driven by high employment in both the accommodation and food and beverages services subsectors to meet the demands of the tourist economy. For example the Woodland Family Theme park is situated in Totnes and attracts many tourists every year.

- There is a particularly high employment specialism in the telecommunications sub sector (LQ 4.46). This reflects the presence of large employers such as United Networks.

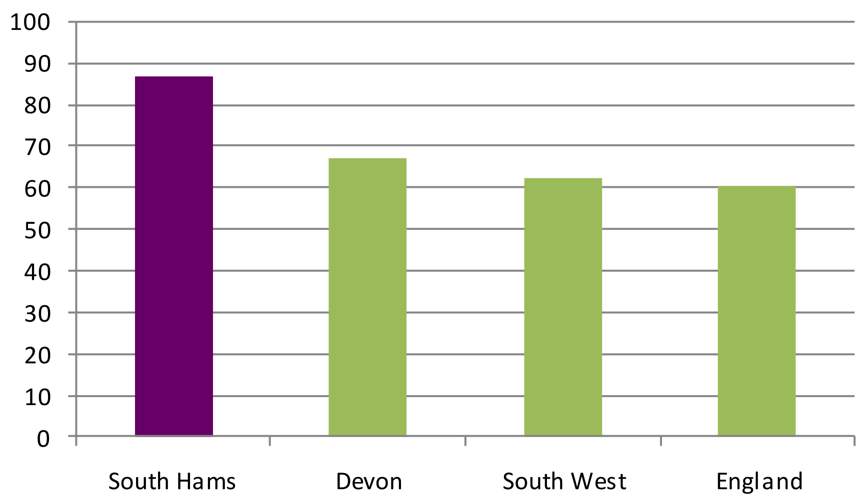
Employment Specialisms 2012		
Sector	**No.**	**LQ**
Telecommunications	1,100	4.46
Manufacture of furniture	400	4.19
Manufacture of computers & electronics	500	3.33
Accommodation	1,400	3.05
Manufacture of rubber & plastic	500	2.82
Residential care	1,400	1.64
Food & beverage services	2,700	1.54
Sports, amusement & recreation	700	1.52
Retail	4,500	1.37
Construction of buildings	500	1.31
Source: Business Register and Employment Survey		

3.9 There are a number of sectors in South Hams which have an underrepresentation of employment despite being strong growth sectors nationally over recent years. In particular, financial and insurance services and professional, scientific and technical activities account for a much smaller proportion of employment in South Hams than nationally.

The Business Base

3.10 With over 4,300 active businesses, South Hams was the top performing district in Devon in business density terms in 2012. The district has 87 businesses for every 1,000 working age residents, significantly higher than the county and national averages of 67 and 60 respectively.

Business Density 2012 – Businesses per 1000 Working Age Residents



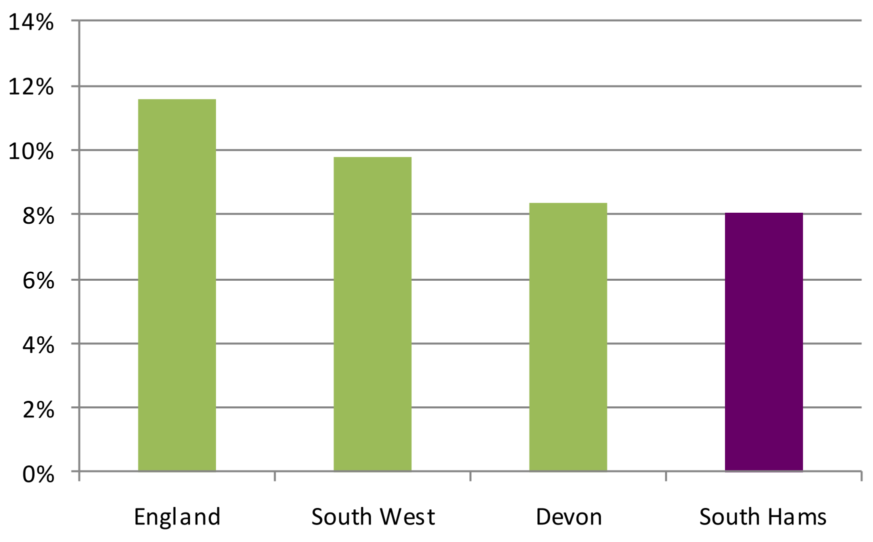
Source: Business Demography

3.11 South Hams' high business density stems from the district's high business survival rates. Whilst the area has a relatively low start up rate, compared with the other districts in Devon, the significantly higher than average survival rate leads to the districts continually high business density.

3.12 The business base in the district is predominantly comprised of micro businesses with less than ten employees (86%). The remaining businesses are mainly small with only a limited number of large businesses in the district.

3.13 In 2012, the business start up rate for the district stood at 8% as a result of 345 businesses created. This is slightly below the county average (8.4%) and significantly below the national average of 11.6%. For South Hams to reach national start up levels, an additional 152 business births would have been required (an uplift of 44%). In comparison to the other districts in Devon, South Hams ranks sixth of eight in terms of the area's start up rate.

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

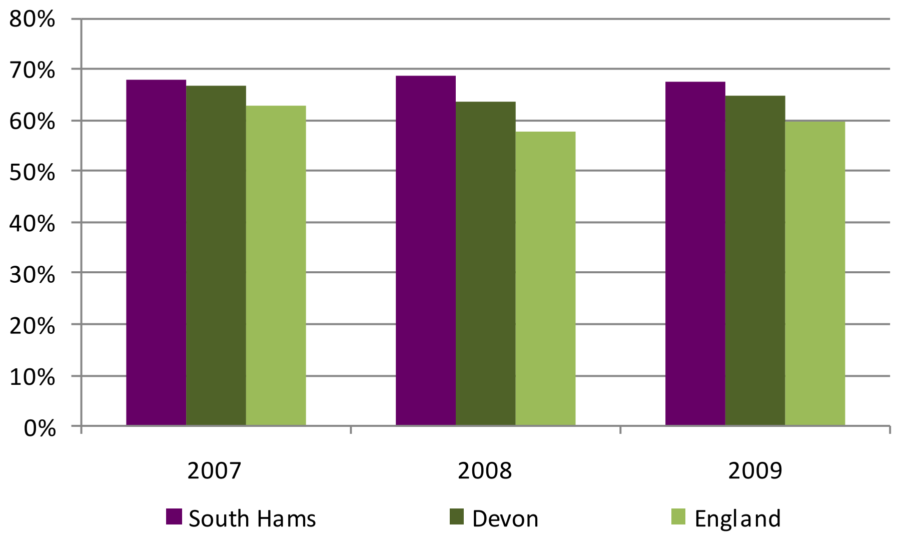


Source: Business Demography

3.14 In terms of survival rates, approximately 68% of businesses created in 2007, 2008 and 2009 in South Hams have survived for a three year period. The district has significantly outperformed both county and national averages in this respect, on a consistent basis.

3.15 Despite tough economic conditions during this time period, the survival rate of businesses in South Hams has remained relatively static. There has been a larger variation witnessed in survival rates for the county and particularly the national average levels. This suggests that businesses created in South Hams have withstood economic pressure more effectively than those nationally.

Three Year Business Survival Rates by Business Birth Year



Source: Business Demography

Real Value Added

3.16 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].

3.17 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.

3.18 The model estimates that South Hams generated £1,239m of real value added in 2012, accounting for 10% of total value added in Devon. This falls just slightly below the districts contribution of 11% to total employment numbers in Devon, suggesting that whilst there may be a higher number of employees in the area, they are slightly less productive than the average for Devon.

Productivity

3.19 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 South Hams, where £30,732 of value added was generated per employee in 2012, equivalent to just 80% of the national average. In comparison to the other districts within Devon, South Hams ranks fourth of eight in terms of GVA per FTE.

3.20 The productivity challenge which South Hams faces is clearly highlighted by sectoral productivity levels. Overall, there are two main ways in which sector performance currently contributes to the below average levels of productivity in South Hams:

- **Sector performance:** In 2012, the productivity levels of ten sectors in South Hams were below the national average. The extent of the disparity varied significantly by sector, ranging from the productivity of the mining and quarrying sector being equivalent to just 50% of the national average to 97% for other services. The relative productivity levels of the finance and business and information and communications sectors were also particularly low.

- **Sector mix:** Several of the sectors which are highly represented in South Hams in employment terms typically generate lower levels of value added, including distribution and hotels and accommodation and food. In 2012, the productivity levels of each of these sectors were below the district-wide average. In contrast, sectors with higher levels of productivity, including utilities, government services and financial and business services, continue to be under-represented in South Hams and Devon wide in employment terms.

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

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

Productivity By Sector (value added per employee) 2012			
Sector	**£**	**Sector**	**% of UK**
Utilities	119,000	Utilities	107%
Mining	45,000	Public sector	107%
Manufacturing	42,071	Other services	97%
Info & comms.	41,444	Transport & storage	94%
Construction	37,214	Accommodation & food	91%
Transport & storage	34,588	South West Sector Average	88%
South West Sector Average	33,828	Distribution & hotels	88%
Public sector	32,967	Agriculture	87%
Devon Sector Average	31,897	Construction	85%
Business & finance	30,849	Devon Sector Average	83%
South Hams Sector Average	30,732	South Hams Sector Average	80%
Distribution & hotels	26,000	Manufacturing	80%
Other services	25,450	Info & comms.	64%
Accommodation & food	16,771	Business & finance	63%
Agriculture	15,154	Mining	50%
Source: Cambridge Econometrics LEFM			

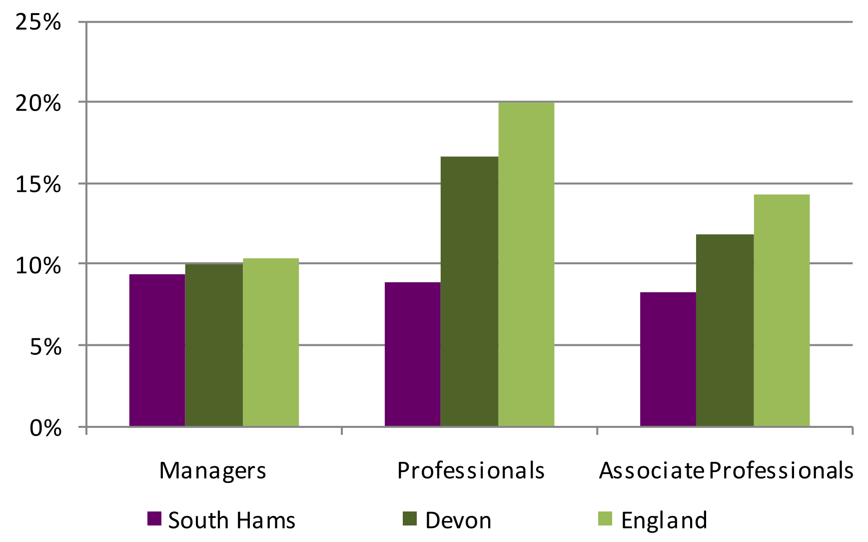
Occupational Profile

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

3.22 The number of highly skilled occupations in South Hams was estimated at 10,200 in 2012/2013[4], accounting for 26% of all occupations, compared to 38% in Devon and 45% nationally. This is exceptionally low, placing South Hams as the lowest ranked district in Devon, with some areas such as East Devon having 48% of occupations in the highly skilled category.

3.23 The significant underperformance on this indicator is driven by low levels of associate professional and particularly professional occupations resulting in a significant gap against Devon and England wide averages. Levels of employment in managerial positions also lag behind the national average.

% of Highly Skilled Occupations 2013 (as a proportion of all occupations)



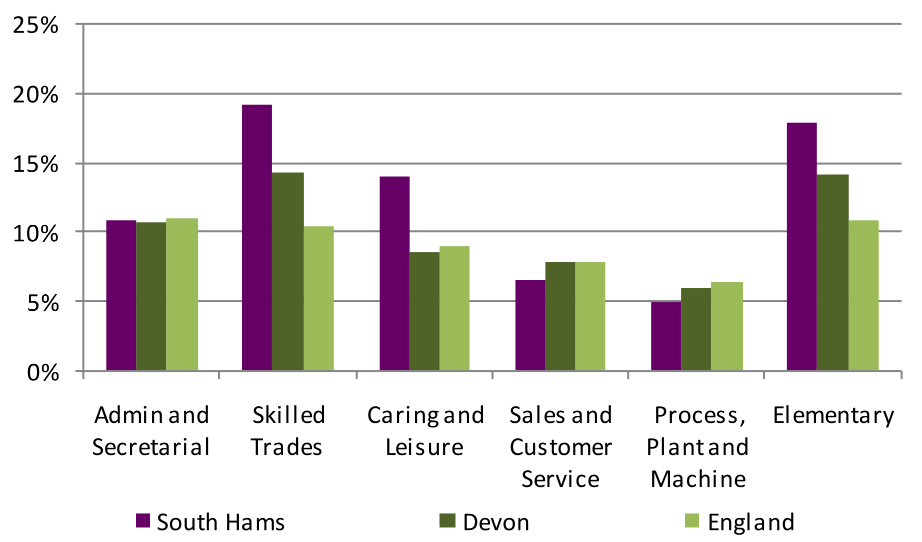
Source: Annual Population Survey

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

3.24 The remaining occupational profile follows broadly similar trends to the profile of Devon and England. However, certain occupations such as skilled trades, caring and leisure and elementary occupations account for a higher proportion of employment, collectively accounting for over half (51%) of all employment whilst only accounting for 30% nationally. These occupations are prominent across many of the districts in Devon and reflect the district's employment specialisms.

3.25 As displayed below, there are no occupations where South Hams has a significant under-representation when compared to the county and national average. This suggests that the over-represented occupations highlighted above offset the under-representation in highly skilled occupations.

% of Occupations 2012 (as a proportion of all occupations)



Source: Annual Population Survey

Average Earnings

3.26 There is a significant differential in the earnings of South Hams residents and the South Hams based workforce. In 2013, South Hams residents earned an average of £24,921, whilst those who worked in the area earned almost £4,500 less (£20,301).

3.27 In both cases, the annual gross earnings are lower than the national average. The workplace based earnings are equivalent to just 74% of the national average income and 86% of Devon's average. Whilst still below the national average, residence based earnings are slightly higher in South Hams than the county average (105%).

3.28 A high proportion of residents in South Hams travel outside the district to higher paid employment, most commonly to Plymouth. However, conversely residents of Plymouth also travel into South Hams for lower paid employment and there is a greater level of in commuting to South Hams than out flow.

3.29 Part-time wages for both those who reside in and those who work in South Hams exceeded the Devon and national average in 2013.

Average Gross Annual Earnings 2013			
	South Hams	**% of Devon**	**% England**
Workplace based	£20,301	86%	74%
Resident based	£24,921	105%	91%
Source: Annual Survey of Hours and Earnings			

4 Economic Forecasts

Key Messages

The South Hams economy is forecast to experience significant growth in the period to 2025. When compared to other districts in Devon, it is forecast to report the second highest proportionate employment growth, outpacing regional and national forecasts, with the same trend forecast for real value added growth. The construction, business and finance and information and communications sectors are forecast to drive growth in both employment and real value added at the district level.

Despite strong growth forecasts, productivity relative to UK levels is expected to remain static over the forecast period. Whilst the productivity gap is forecast to reduce in six sectors this position is offset by forecasts for the gap to widen in five (including construction which is forecast to report the strongest employment growth in actual terms) and remain static in one.

South Hams' performance on each of the key indicators covered in this chapter is summarised in the table below.

South Hams	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment Source: LEFM	5.9%	4%	10.1%	6.9%
Real Value Added Source: LEFM	17.3%	12.4%	31.9%	27%
Productivity Source: LEFM	10.8%	8.1%	19.7%	18.9%

The Local Economic Forecasting Model

4.1 This section of the profile summarises the economic forecasts for South Hams 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 RVA 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, South Hams is projected to experience the second highest proportionate employment increase of Devon's districts (+10%), out-performing both the regional and national average. Unlike patterns in other districts, employment growth is projected to outpace the regional and national average in both parts (2013-2020 and 2020-2025) of the forecast period. The projected growth will create an additional 4,100 jobs - the fourth highest net increase forecast across Devon's districts. Despite forecast growth, South Hams' 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**
South Hams	40,500	42,900	44,600	2,400	1,700	6%	4%
Devon	375,400	394,100	408,600	18,700	14,500	5%	4%
SW	279,570,0	290,040,0	298,770,0	104,700	87,300	4%	3%
UK	323,322,00	335,036,00	345,659,00	117,140,0	106,230,0	4%	3%
Source: Cambridge Econometrics LEFM							

Real Value Added

4.9 The level of value added growth in South Hams is forecast to significantly exceed employment growth between 2013 and 2025 resulting in an additional £399m of real value added per annum by 2025. With a projected increase of 32%, South Hams is forecast to experience the second highest real value added uplift of the Country's districts, significantly outpacing the regional and national average (27% in both cases). The dynamics driving these trends are explored within the sectoral analysis in the following sections.

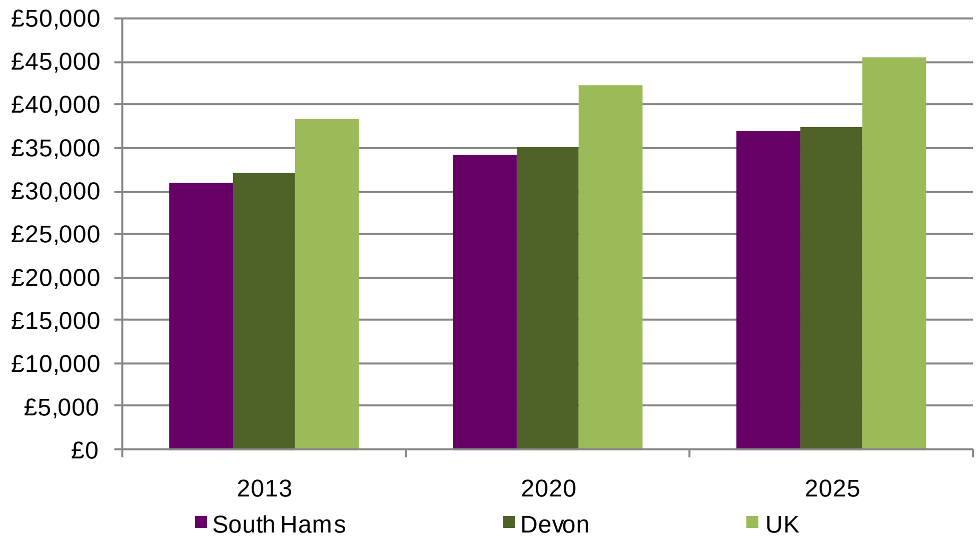
Real Value Added 2013 - 2025							
	Real Value Added (£m)			Net Change		% Change	
Area	**2013**	**2020**	**2025**	**2013-2020**	**2020-2025**	**2013-2020**	**2020-2025**
South Hams	1,251.1	1,468.1	1,649.7	217	181.6	17%	12%
Devon	12,004.8	13,789.4	15,307.6	1,784.6	1,518.2	15%	11%
SW	94,861.4	108,671.8	120,450.7	13,810.4	11,778.9	15%	11%
UK	1,238,540	1,417,753	1,573,965	179,213.2	156,211.9	14%	11%
Source: Cambridge Econometrics LEFM							

Productivity

4.10 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 £36,989 of value added generated per employee in South Hams by 2025, performance against the national average is expected to vary.

4.11 South Hams is one of three districts where the relative position is forecast to remain static. As such, it is expected that by 2025 productivity levels will continue to be just 81% of the national average and the level of value added generated per employee will be the fifth lowest of Devon’s districts.

Productivity Levels (value added per employee) 2013 - 2025



Source: Cambridge Econometrics LEFM

Sectors – Forecast Absolute Growth

4.12 The majority of sectors in South Hams’ economy are forecast to grow or remain relatively static in employment terms between 2013 and 2025. The construction sector is expected to lead employment growth, accounting for 34% of the additional jobs created. This will be followed by information and communications, business and finance and accommodation and food, which are each projected to create between 600 and 800 additional jobs, accounting for a further 51% of the total net employment growth.

4.13 While three of these sectors – business and finance, construction and information and communication – are also forecast to drive real value added growth, generally the real value added forecasts are more balanced across a number of sectors. This is also supported by all sectors in South Hams, including those which are forecast to experience either static or falling employment levels, growing in real value added terms.

Net Change 2013 - 2025– ranked by greatest level of change							
Employment				Real Value Added			
Sector	2013-2020	2020-2025	2013-2025	Sector	2013-2020	2020-2025	2013-2025
Construction	1,000	400	1,400	Business & finance	52.8	51.7	104.5
Info. & comms.	600	200	800	Construction	43	23.7	66.7
Business & finance	300	400	700	Info. & comms.	36.7	26.3	63
Accommodation & food	200	400	600	Distribution, hospitality	21.5	15.7	37.2
Distribution, hospitality	300	100	400	Manufacturing	22.9	13.8	36.7
Other services	200	200	400	Public sector	7	21.1	28.1
Transport & storage	100	200	300	Accommodation & food	12.1	9.8	21.9
Mining	0	0	0	Other services	10.8	8.3	19.1
Utilities	0	0	0	Transport & storage	8.7	8.2	16.9
Public sector	-200	200	0	Agriculture	1.4	1.9	3.3
Agriculture	-100	0	-100	Utilities	0.1	0.7	0.8
Manufacturing	-200	-200	-400	Mining	-0.1	0.4	0.3
Source: Cambridge Econometrics LEFM							

4.14 Other key points to note include:

- **Low levels of growth forecast in the public sector:** Overall the sector is forecast to play a much smaller role in the growth of South Hams than in other districts (and the national economy).The forecast suggest that employment levels will remain unchanged between 2013 and 2025 (with employment growth between 2020 and 2025 compensating for decline between 2013 and 2020). While real value added in the sector is projected to increase, reflecting potential productivity improvements, the forecast increase is much lower than in other areas.
- **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, accommodation and food will be a key employment creation sector but will generate low levels of value added growth, while the manufacturing sector will make a contribution to real value added growth despite employment decline.
- **The timing of employment growth will vary by sector:** Construction and information and communication are expected to make a more significant contribution to employment growth between 2013 and 2020, while accommodation and food and business and finance are expected to play a greater role between 2020 and 2025. Similar differences are also projected in the timings of value added growth, although the variances are often not as stark, with forecast productivity gains helping to balance growth.

Sectors – Forecast Growth Rates

4.15 The strong employment growth projections for South Hams are driven by the exceptionally high growth rates forecast for construction, information and communication, other services, and transport, which are at least double the national average.

4.16 In terms of real value added, the rates of projected growth in information and communications, construction and other services are again forecast to significantly exceed the national average (although to a slightly lesser extent than the employment growth rates), as is the business and finance sector.

Growth Rates 2013-2025 – Ranked by fastest growing					
Employment			Real Value Added		
Sector	South Hams	UK	Sector	South Hams	UK
Construction	52%	19%	Info. & comms.	75%	53%
Info. & comms.	38%	17%	Construction	67%	52%
Other services	19%	9%	Business & finance	61%	51%
Transport and storage	18%	9%	Other services	37%	29%
Accommodation & food	13%	16%	Transport and storage	28%	29%
Business & finance	13%	12%	Accommodation & food	28%	28%
Distribution, hospitality	5%	3%	Manufacturing	21%	23%
Mining	0%	-7%	Distribution, hospitality	19%	19%
Utilities	0%	13%	Agriculture	16%	17%
Public sector	0%	4%	Public sector	10%	14%
Agriculture	-8%	-5%	Mining	8%	5%
Manufacturing	-10%	-11%	Utilities	3%	9%
Source: Cambridge Econometrics LEFM					

Sectoral Productivity

4.17 While productivity levels are expected to increase in all of South Hams' 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 six sectors:** (business and finance, information and communications, agriculture, distribution, accommodation and food, and utilities) by up to 10 percentage points;
- **Decrease in five sectors:** (public sector, transport and storage, construction, manufacturing and mining) by up to five percentage points.
- **Remain static in the other services sector.**

4.18 In particular, the significant levels of improvement forecast for business and finance and utilities, help to compensate for the deterioration in other sectors resulting in forecasts for the overall productivity levels of South Hams remaining relatively static. By 2025, it is expected that utilities and the public sector will continue to be the only sectors with productivity that exceeds the national average.

Productivity By Sector 2013 - 2025						
	2013		2020		2025	
Area	£	% UK	£	% UK	£	% UK
Utilities	£118,000	107%	£118,500	111%	£122,000	115%
Public sector	£32,511	106%	£34,045	103%	£35,633	101%
Other services	£24,524	94%	£27,087	96%	£28,240	94%
Transport & storage	£35,000	93%	£37,889	94%	£38,200	91%
Accommodation & food	£17,356	92%	£19,191	93%	£19,608	93%
South West	£33,931	89%	£37,468	89%	£40,316	89%
Distribution, hospitality	£26,356	88%	£28,145	88%	£29,818	89%
Construction	£36,963	86%	£38,595	84%	£40,610	85%
Agriculture	£16,833	83%	£19,636	90%	£21,364	89%
Manufacturing	£42,854	82%	£50,923	81%	£57,405	80%
South Hams	£30,891	81%	£34,221	81%	£36,989	81%
Info. & comms.	£39,905	64%	£44,630	64%	£50,621	65%
Business & finance	£30,964	64%	£38,466	71%	£44,323	74%
Mining	£37,000	46%	£36,000	44%	£40,000	43%
Source: Cambridge Econometrics LEFM						

Sectoral Profile

4.19 Overall, despite the changes outlined above, the sector profile of the South Hams economy is forecast to remain largely unchanged in both employment and real value added terms. The high levels of growth forecast in the construction sector will however increase the sector's share of total employment and value added, causing the overall proportionate contribution of other sectors, including the public sector and distribution and hospitality to decrease.

5 Key Messages and Implications

Key Strengths

An Attractive Natural Environment bringing Economic Benefits

5.1 South Hams has significant, high quality natural assets, including its coastline's designation as an Area of Outstanding Natural Beauty and the north of the district forming part of the Dartmoor National Park. The area has a significant food and accommodation sector and a strength in wholesale and retail to support the visitor economy. Ensuring these businesses have a year round customer base will support higher levels of survival and growth, as well as providing non-seasonal employment for residents.

High Levels of Employment and Economic Activity

5.2 With the lowest economic inactivity rate and second highest employment rate in Devon, South Hams is home to a highly engaged working age population. Employment levels are supported by proximity to larger employment centres, including Plymouth and Torbay, offering commuters a wider range of employment opportunities. The district's employment density shows that it also has a high level of employment opportunities relative to the scale of the working age population within its boundaries. This suggests that there may be scope to reduce out-commuting, subject to employment opportunities matching the skills and career choices of residents.

A Highly Skilled Population

5.3 South Hams is home to a highly qualified population. It reports the highest proportion of working age residents within a NVQ Level 4+ qualification in Devon and outperforms the national average at all skills levels. This profile will respond to the increasing skills requirements of employers being reported across the country, helping residents to access and progress in employment. Ensuring that residents have the skills required by employers (both sector specific and more generic, e.g. customer service skills) will be important to maintain high levels of employment.

Strong Employment and Real Value Added Forecasts

5.4 Employment levels are forecast to grow 10% between 2013 and 2025, out-performing regional and national forecasts and being the second highest growth rate forecast in Devon. In an area with a relatively small working age population and a high employment rate, ensuring a sufficient scale and skilled workforce is available to take up opportunities will be important to avoid recruitment challenges that could restrict growth.

5.5 A 32% increase in real value added is also forecast. This rate again exceeds regional and national averages and places South Hams as the district with the second highest growth forecast. Over a quarter of the growth is forecast to be achieved by the business and finance sector where the growth rate is forecast to exceed the UK average by ten percentage points.

Key Challenges

High Dependency on Surrounding Economies

5.6 High levels of out-commuting mean that South Hams is dependent on the fortunes of surrounding economies, where local partners have limited control. Increasing the number and diversity of employment opportunities within the district could help to reduce this dependency and the need for residents to travel to find appropriate work. The differential between workplace and residence based earnings suggest that higher paid opportunities, including those in highly skilled occupations, would be required to reduce levels of out-commuting. Workplace earnings in South Hams are amongst the lowest in the UK.

Supporting New Development

5.7 The area's environmental assets are significant strengths and provide opportunities for economic growth. Such assets need to be managed in an effective way to ensure that development does not have unacceptable negative impacts. A supply of employment land and premises that meet occupier requirements (in terms of location, specification and price) will be required if South Hams is to achieve its full growth potential, accommodating both the needs of expanding and incoming businesses. Ensuring the planning system is responsive to requirements will be important, given the scale of employment growth forecast, however this may be difficult to achieve given environmental limits. The planning system needs to ensure it positively plans for the economic growth required and is responsive to economic requirements. In particular, detailed consideration will need to be given to the infrastructure requirements of any strategic employment sites which may come forward, for example at Langage.

Addressing Above Average Unemployment

5.8 Although South Hams reports high employment and low inactivity levels, the proportion of unemployed residents is approximately one third higher than the Devon average. This suggests that there is potential to increase economic contribution levels further, subject to appropriate employment opportunities being available and residents having the skills required by employers to allow take up. Targeted interventions may be required to support those facing barriers to access work, including consideration of physical access to employment opportunities (particularly from the most remote parts of the district) and equipping people with both knowledge of available employment opportunities and the skills required.

Supporting More Business Start Ups and Small Businesses to Grow

5.9 The South Hams business base is dominated by micro enterprises, with very few large employers, and its start up rate is lower than both the county and national averages. Supporting new businesses to start up and micro businesses to identify and take forward opportunities for growth is anticipated to be a requirement if the economy's full potential is to be realised and new employment opportunities created for residents. This may include building on the success of existing initiatives in the area, such as the Business Information Point.

A Reliance on Construction for Growth

5.10 The construction sector is expected to account for 34% of forecast employment growth in South Hams between 2013 and 2025. The addition of 1,400 jobs would be a 52% increase in employment levels and the sector is also forecast to report an uplift of 67% in real value added contribution, suggesting productivity gains will occur alongside employment growth. This high dependency on a single sector for growth makes the district vulnerable to shocks in the sector. It will also be important to ensure the local conditions are capable of accommodating the forecast scale of growth, including through a supply of suitable construction sites (as considered above) and the provision of a skilled construction workforce.

Reducing the Productivity Gap

5.11 In common with all of Devon's districts, South Hams currently reports productivity levels below the UK average and forecasts suggest that, despite strong real value added growth in a Devon context, the productivity gap will remain static. Measures to support productivity gains within existing businesses and to support the attraction of new businesses, including those with strong productivity potential, will be important to help the district to close the gap.

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	-