Torridge Area Profile

Produced for Devon County Council

February 2014

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Torridge in Summary

CONTRIBUTION TO THE DEVON ECONOMY

Torridge is one of the smallest districts in Devon in employment and population terms. The predominantly rural area benefits from strong links with North Devon, which acts as a key retail, employment and service centre for the district. Out-commuting helps to support the area's high employment rate, as do high levels of self employment. Torridge's business density also exceeds the national average. The area's rural villages and the coastal town of Westward Hoe! drive the visitor economy, which is underpinned by an large accommodation and food base. The area also has high levels of employment in agriculture, construction and manufacturing.

Indicator	2012	% of Devon
Employment	17,200	6%
Businesses	2,400	8%
Real Value Added	£672m	6%
Population	64,700	9%

LABOUR MARKET

Indicator	Key Points	Latest Position
Employment Rate	• Exceeds the national average • Fifth highest employment rate in Devon	76%
Unemployment Rate	• Exceeds the national average (assumption based on employment and inactivity rate)	Data suppressed
Inactivity Rate	• Lower than the national average • Second highest inactivity rate in Devon	21.9%
NVQ L2+	• Skills profile lags the national average from NVQ L2+ • Lowest proportion qualified to NVQ4+ in Devon	68.6%
NVQ L4+		24.3%

CURRENT ECONOMIC PERFORMANCE

Indicator	Key Points	Latest Position
Employment Density	• Small employment base relative to size of working age population – density lags national average • Lowest in Devon	45,068 per 100,000 working age residents
Business Density	• Business density exceeds the national average • Second lowest business density in Devon • 3 year survival and start up rate average compared to Devon's other districts	62 per 1,000 working age residents
Productivity	• Equivalent to 77% of the national average • Second lowest productivity levels in Devon	£29,474 per employee
Highly Skilled Occupations	• Under represented due to shortage of all highly skilled occupations • Skilled trades is very highly represented	28%
Average Annual Workplace Earnings	• Lower than resident based earnings in Torridge • Both workplace and resident earnings are lower than the national average	£18,215

ECONOMIC FORECASTS

Indicator	Key Points	Change 2013-2025
Employment	• Fourth highest proportionate increase in Devon exceeding national average • Driven by construction, business & finance and public sector employment	+ 1,900 / 7.7%
Real Value Added	• Highest proportionate increase in Devon, exceeding the national average • Highest growth in business and finance	+ £219m / 32.4%
Productivity	• One of three districts where relative position is forecast to improve • Forecast to be equivalent to 80% of national average by 2025	22.2%

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 Torridge Area Profile

1.2 This report provides a profile of Torridge, 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 Torridge

1.3 Torridge is the third largest district authority in Devon, covering an area of 995,912m^2. The district is located in north west Devon and its administrative area includes the island of Lundy. Cornwall lies to the south of the district, while the west is lined by the coast, part of which falls within the North Devon Coast Area of Outstanding Natural Beauty.

1.4 In recognition of the strong links between the two neighbouring districts, Torridge Council has worked in close partnership with North Devon Council to maximise the economic performance of the area commonly known as 'Northern Devon'. The 2013-2017 Northern Devon Economic Strategy acknowledges the area's strong identity within 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 and Peripheral District

1.5 Torridge is geographically peripheral and a predominantly rural district that is not well connected to the major urban economies. The district is officially classified as 'Rural 80', with at least 80 per cent of the population living in rural settlements and larger market towns[1]. The large majority of land in Torridge (95%) is classified as green space, covering 938,231 m^2 of the district's total area. As such, the district has a low population density of 0.7 persons per hectare, compared to the England average of 4.1. Of the district's 64 parishes, just 4 have a population density above this average.

1.1 Torridge is characterised by four main settlements where the majority of the population reside, alongside a range of smaller communities. Bideford, Northam, Great Torrington, and Holsworthy are the larger settlements, with the remainder of the area being fairly sparsely populated.

- **Bideford and Northam:** With a population of over 17,500, the historical town of Bideford is the largest town within Torridge. Its close proximity to Northam, a town located on its periphery with a population of over 12,400, results in the district's largest urban area, accounting for close to half of the districts total population.
- **Great Torrington:** Located on the main trunk road running through the district, Great Torrington developed on the trading route between Barnstaple (in North Devon) and Plymouth, and has a total population of approximately 5,800. The town has a rich cultural heritage and distinctive Civil War associations, containing almost 100 listed buildings. The Hatchmoor Industrial Estate is the main focus for employment in the area, providing the home for a range of manufacturing and service based industries.

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

- **Holsworthy:** Located in rural hinterland in the south east of the district at the intersection of the A388 (Launceston - Bideford) and A3072 (Bude - Okehampton) Holsworthy is a smaller settlement with a population of just over 2,800. A new £6m AgriBusiness centre is currently being developed to the north of Holsworthy on land adjacent to the A388. Due to complete in July 2014, the site will include a new livestock market, pens and auction rings; food store; and 91 homes.

A Poorly Connected District with a Substantial Commuter Population

1.2 Reflecting its peripheral location and rural nature, Torridge is relatively poorly connected to major urban economies. There are no rail services within Torridge itself, with the nearest railway station being located in Barnstaple, North Devon. From Bideford, Barnstaple is about 20 minutes away by car, whilst Exeter and Plymouth are located over an hour away.

1.3 Within Torridge as a whole, there is a net outflow of commuters. According to the 2011 Annual Population Survey 10,600 residents commuted out of the district to work, predominantly to North Devon and Exeter, while 5,000 people commuted into the district providing a net out flow of workers of 5,593.

Report Structure

1.4 The remainder of the report is structured as follows:

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

2 The Torridge Labour Market

Key Messages

Torridge is one of the county's smallest districts in population terms. It is predominantly rural in nature, offering residents a choice of diverse rural locations and a high proportion of the population live in sparse and isolated areas. The district has a small working age population in relative terms and benefits from a high employment rate driven by low levels of unemployment. The employment rate is boosted by high levels of self employment and out-commuting, rather than a high employment density within Torridge.

The skills profile of the working age population continues to be an issue. From NVQ L2+, Torridge has a lower proportion of people qualified to each level than nationally and this gap widens as the qualification levels increase. Torridge also has the lowest proportion of working age residents qualified to NVQ L4+ in Devon.

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

	Indicator	Torridge	Devon	England	Performance against National Average
Employment Rate	% of working age population	76%	75.9%	71.4%	
Unemployment Rate	% of economically active population	-	4.5%	7.9%	
Inactivity Rate	% of working age population	21.9%	21%	22.4%	
NVQ L2+	% of working age population	68.6%	77.3%	71.8%	
NVQ L4+	% of working age population	24.3%	34.9%	34.2%	

Note: Data is unavailable for Torridge but performance on employment and inactivity indicator suggest unemployment is low.

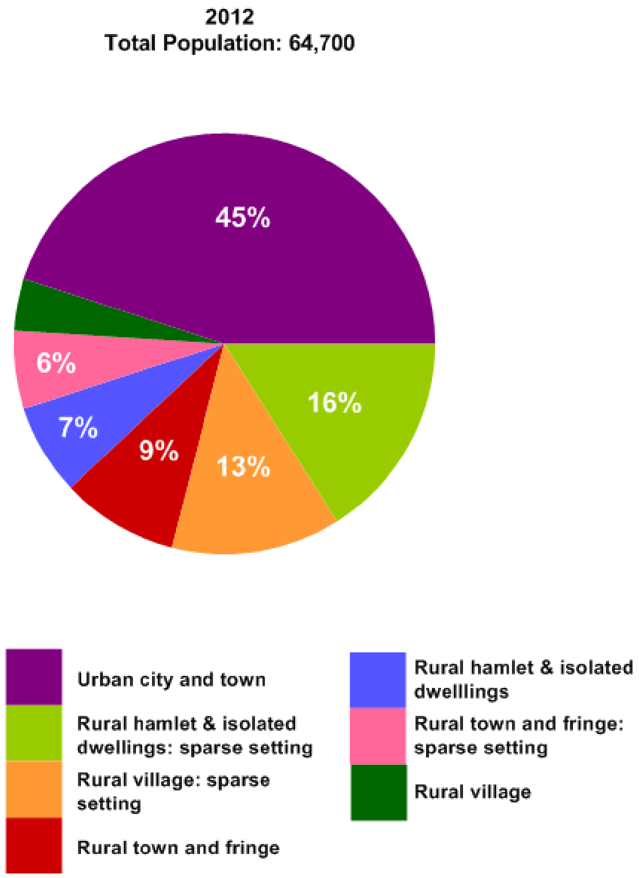
Population

2.1 In 2012, Torridge's total population was 64,700, accounting for 9% of Devon's total population. This is one of the smallest populations of all the districts in Devon, with only West Devon having fewer residents.

2.2 Torridge is predominately rural in nature. There are a diverse range of rural settlements and a high proportion of residents (36%) live in sparse and isolated areas, while 19% live in rural villages and rural towns and fringe. This contrasts with the profile of rural settlements seen across the county, with 17% living in sparse and isolated areas and 35%

living in rural villages, towns and fringe. The population which are classified as living in urban cities and towns live in the district's market towns.

Urban-Rural Population Split



Source: Mid-year Population Estimates, 2011 Census

Age Profile

2.3 In line with the county-wide profile, Torridge has a small working age population and a high proportion of retired residents.

Age Profile of the Population 2012				
	No.	%	Devon (%)	England (%)
Under 16s	10,600	16%	16%	19%
Age 16-64	38,300	59%	60%	64%
Over 65+	15,800	24%	23%	17%
Source: Mid Year Population Survey				

Economic Activity

2.4 The latest data from the Annual Population Survey highlights the high employment rate in Torridge which significantly exceeds the national average. In the context of Devon, the employment rate is average, ranking fifth of the eight districts. This reflects low levels of unemployment, with the economic inactivity rate only slightly lower than the national average. The employment rate is also boosted by high levels of self employment, with 24.1% of the population classified as self employed compared to 16.5% in Devon and 13.7% in England.

Profile of the Working Age Population 2012/13				
	No.	%	Devon (%)	England (%)
Employment rate	29,600	76.0	75.9	71.4
Unemployment rate	-	-	4.3	7.9
Inactivity rate	8,500	21.9	21.0	22.4
Source: Annual Population Survey (data covers the period October 2012 to September 2013) Note: The data for unemployment rates in Torridge is unavailable.				

2.5 The main reasons for economic inactivity in Torridge were long term sickness (41%), looking after family/home (37%) and being retired (17%).

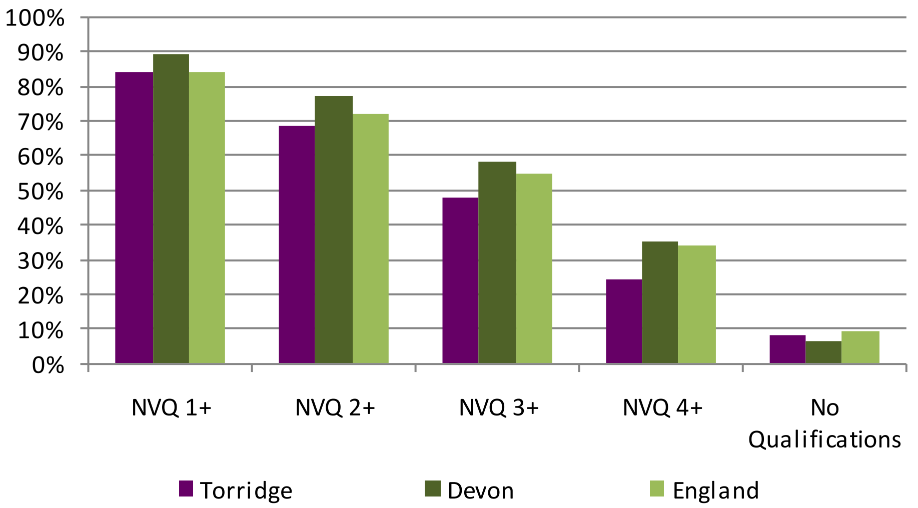
Skills

2.6 From NVQ L2+, Torridge consistently has a lower proportion of people qualified at each level than nationally and this gap widens as the qualification levels increase. This partly reflects the absence of a further education college in the area, which encourages young people to move outside the district to continue to study.

2.7 There are also a greater proportion of people in Torridge with no qualifications than across Devon. However, this is still slightly lower than the national average.

2.8 When compared to the other local authorities in Devon, Torridge has the lowest proportion of working age residents qualified to NVQ Level 4+ at just 24.3% compared to 32% nationally. This is also significantly lower than some of the other districts, with the top performing district reaching 46.1%.

Qualifications of the Working Age Population 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

Torridge is the second smallest district in Devon in employment terms. The business density in the district is slightly higher the national average and includes a number of large manufacturing companies and popular visitor attractions. Torridge also has high levels of employment in agriculture, construction, accommodation and food. However, a number of key private sector services, such as sub-sectors within financial, professional and business services and information and communications continue to be underrepresented.

The district is also faced with a number of challenges – many of which are common across Devon. This includes having the second lowest levels of productivity and the latest representation of highly skilled occupations. Both workplace and resident based wages are also below the national average.

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

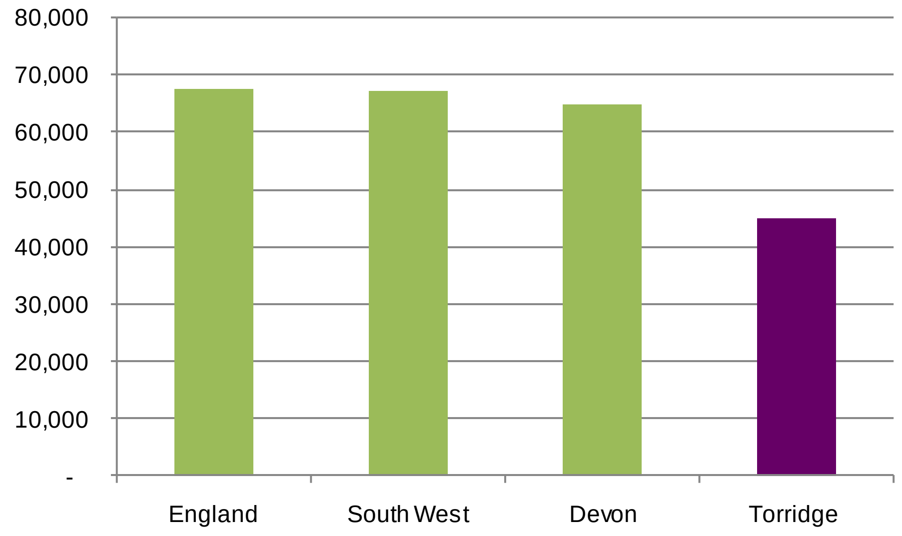
	Indicator	Torridge	Devon	England	Performance against National Average
Employment Density	Employees per 100,000 Working Age Residents	45,068	64,799	67,699	67%
Business Density	Businesses per 1,000 Working Age Residents	62	67	60	104%
Productivity	Real Value Added per Employee	£29,474	£31,897	£38,293	77%
Highly Skilled Occupations	Top 3 Occupational Groups as % of all Occupations	28%	38%	45%	
Average Workplace Earnings	Average Gross Annual Earnings	£18,215	£23,470	£27,376	67%

Employment

3.1 In 2012, there were over 17,200 employees in Torridge, accounting for 6% of total employment in the county. This is amongst the smallest employment bases of all the districts in Devon, second only to West Devon.

3.2 Torridge has a much lower number of jobs for every 100,000 working age residents (approximately 45,000), when compared to the county-wide, regional and national average. This is the lowest employment density of all Devon's districts. To achieve an employment density in line with England, almost 8,700 additional jobs would need to be created (an uplift of 19%).

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



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

3.3 Mirroring the employment profile of the county, the two largest employment sectors in Torridge are wholesale and retail and health and social work, which collectively account for around a third of total employment. This is followed by manufacturing, which continues to be an important sector in Torridge in both employment and value added terms.

3.4 While Torridge contributes 6% to total employment level in Devon, its contribution to seven sectors is much higher. In particular, the district accounts for 12% of Devon's agriculture employment and 8% of the county's manufacturing, construction and real estate employment.

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 a LQ of more than one denotes a high level representation and specialisation. A LQ of less than one highlights that a sector is under-represented.

3.6 In 2012, Torridge had a LQ above one in eleven of the nineteen main sectors. Employment was particularly high in construction and manufacturing, reinforcing local employment specialisms and reflecting the levels of housing development locally. The district also had high levels of employment in accommodation and food and mining and quarrying.

3.7 Agriculture should also be recognised as an important sector in Torridge. There are a large number of people in Torridge who work in the agricultural sector who are self employed and therefore not always captured by in standard data sets. For example, certain towns, such as Holsworthy, are traditional market towns with strong agricultural sectors, holding weekly livestock and farmers markets. This town is also home to the first centralised anaerobic digestion facility in the UK which generates renewable energy.

3.8 In other sectors, such as wholesale and retail, the high representation is likely to reflect the small scale employment base and the particularly low levels of employment in key private service sectors, such as professional, scientific and technical activities, administration and support, and finance and insurance. Employment levels in the latter are approximately a third of national levels.

Employment by Sector 2012				
	Size		Concentration	
Sector	**No.**	**%**	**Sector**	**LQ**
Wholesale & retail	3,100	18%	Construction	1.66
Health & social work	2,800	16%	Manufacturing	1.44
Manufacturing	2,100	12%	Real estate activities	1.37
Education	2,000	11%	Accommodation & food	1.31
Accommodation & food	1,500	9%	Mining & quarrying	1.30
Construction	1,300	7%	Health & social	1.25
Admin & support	800	5%	Education	1.19
Prof., scientific & tech.	800	5%	Arts & entertainment	1.14
Transport & storage	600	4%	Wholesale & retail	1.12
Arts & entertainment	500	3%	Utilities: water	1.09
Public admin	400	2%	Agriculture	1.00
Real estate	400	2%	Transport & storage	0.80
Other services	300	1%	Other services	0.74
Finance & insurance	200	1%	Prof, scientific & tech.	0.60
Info. & comms.	200	1%	Admin & support	0.57
Utilities: water	100	1%	Public admin	0.50
Agriculture	100	1%	Financial & insurance	0.32
Mining	<100	0%	Info. & comms	0.26
Utilities: electric & gas	<100	0%	Utilities: electric & gas	0.08
Source: Business Register and Employment Survey				

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

- The high levels of employment in manufacturing and construction is driven by a number of sub-sectors being highly represented (i.e. the manufacture of computers & electronics, furniture, rubber and plastics and fabricated metal products, and in the case of construction, specialised construction activities and the construction of buildings). There are various large manufacturers within the area, including the Darlington Crystal factory, Beran Instruments/Helitune (manufacturers of electronic instrumentation), Devonshire Pine and Greenfield Engineering.
- The above average levels of employment in accommodation and food are driven by the accommodation sector, where employment levels are more than twice the national average. This reflects the strong visitor economy in the area driven by the attractiveness of Torridge's rural villages, the coastal town of Westward Hoe! and other popular attractions such as the Bideford Railway Museum, The Milky Way Adventure Park and the Plough Arts Centre.
- Residential care and to a slightly lesser extent social work contribute to high levels of employment in the health and social care sector. As seen across many of the districts in Devon, the large retired population requires a large residential care sector.
- While not recognised in the statistics, the marine sector is important and includes the area's largest employer - Babcocks which is located at Appledore Shipyard – and its associated supply chain.

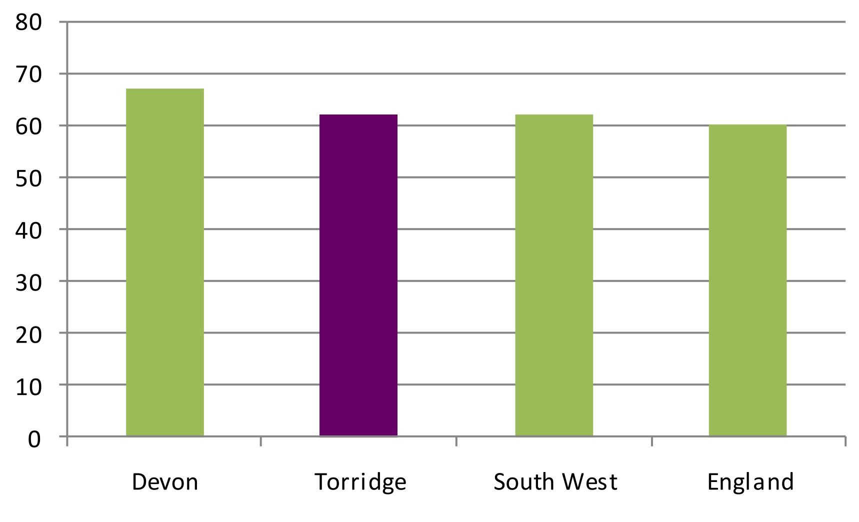
Employment Specialisms 2012		
Sector	**No.**	**LQ**
Manufacture of computers & electronics	400	5.09
Manufacture of furniture	200	4.16
Manufacture of rubber & plastic	200	2.59
Residential care	1,100	2.40
Accommodation	500	2.20
Construction of buildings	400	1.66
Specialised construction activities	700	1.66
Manufacture of fabricated metal products	300	1.53
Social work	800	1.51
Real estate activities	400	1.37
Source: Business Register and Employment Survey		

The Business Base

3.10 With 2,400 active businesses, Torridge has an average sized business base relative to the size of its working age population. In 2012, the business density was slightly higher than the national average, with 62 businesses for every 1,000 working age residents. This reflects the large number of micro businesses, which have less than 10 employees and account for 89% of the business base compared to 83% nationally. The district has very few medium or large businesses.

3.11 In the context of Devon, however, this is the second lowest business density level of all districts and significantly underperforms the county's top performing district in this regard, which has a business density of 87. An additional 941 businesses would be needed to close the business density gap between Torridge and the county's top performing district (an uplift of 40%).

Business Density 2012 – Businesses per 1,000 Working Age Residents

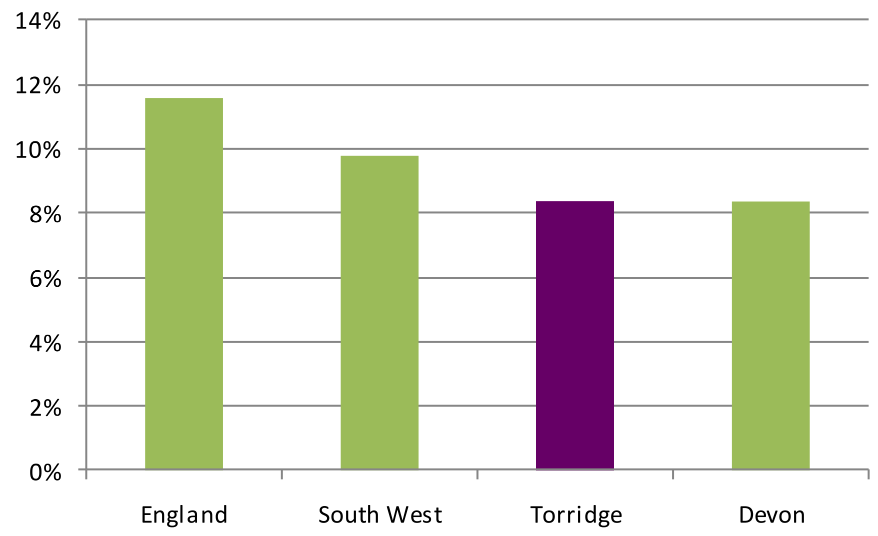


Source: Business Demography

3.12 Torridge's relatively low business density, in comparison to other areas in Devon, stems from a balanced rate of business births and deaths (preventing further growth in active business levels) and a survival rate which lags the national and regional average.

3.13 In 2012, the business start up rate for Torridge stood at 8.4, resulting from the creation 200 new businesses that year. Whilst this was the third highest start up rate in Devon, it was lower than the national and regional average rates (of 11.6% and 9.8% respectively). For Torridge to reach national levels, an additional 76 business births would have been required (an uplift of 38%).

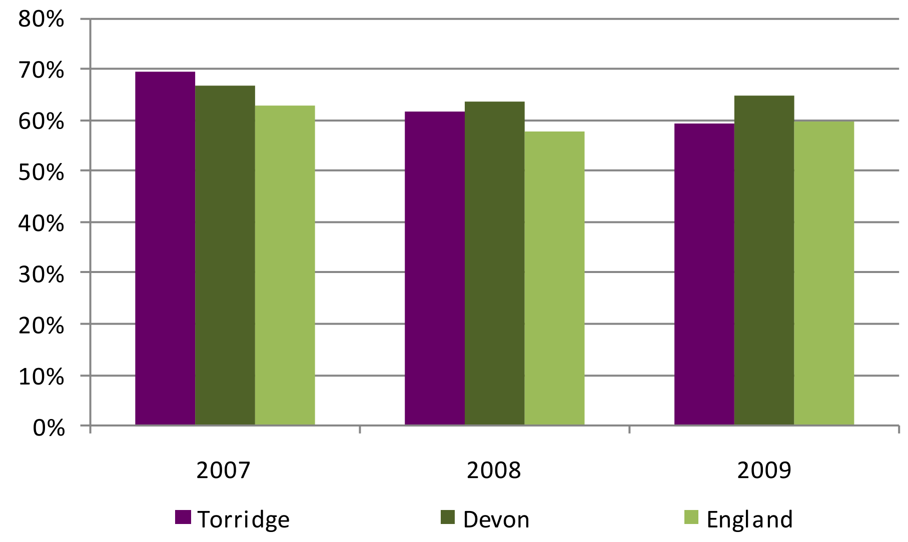
Business Start Up Rate 2012 – Births as % of Active Businesses



Source: Business Demography

3.14 In terms of survival rates, approximately 60% of businesses created in 2008 and 2009 in Torridge have survived for a three year period. While this is broadly similar to the national survival rates, is lower than the average for Devon.

Three Year Business Survival Rates by Business Birth Year



Source: Business Demography

Real Value Added

3.15 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].

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

[2] In the case of the LEFM, data on real value added is based on 2009 prices
[3] This smallest geography for w hich this is available is NUTS3 (i.e. Devon)

3.17 The model estimates that Torridge generated £672m of real value added in 2012, accounting for 6% of total value added in Devon. This is the same contribution that the district makes to Devon's total employment levels.

Productivity

3.18 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 Torridge, where £29,470 of value added was generated per employee in 2012, equivalent to just 77% of the national average. Torridge also has the second to lowest levels of productivity in Devon.

3.19 The productivity challenge which Torridge 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:

- **Sector performance:** In 2012, the productivity levels of all sectors in Torridge were below the national average. The extent of the under-performance varied by sector, ranging from the productivity of the financial and business services sector being equivalent to just 68% of the national average to other services which reached 97%. The relative productivity levels of the information and communications sector were also particularly low.
- **Sector mix:** Several of the sectors which are highly represented in Torridge in employment terms typically generate lower levels of value added, including agriculture (the least productive sector in Torridge). In contrast, sectors with higher levels of productivity, particularly information and communications and business and finance, continue to be under-represented in the district and in employment terms.

Productivity By Sector (value added per employee) 2012			
Sector	**£**	**Sector**	**% of UK**
Utilities	97,000	Other services	97%
Info & Comms.	50,000	Accommodation & food	92%
Manufacturing	44,870	Public sector	91%
Construction	37,636	Transport & storage	89%
South West Sector Average	33,828	South West Sector Average	88%
Business & finance	33,133	Utilities	87%
Transport & storage	32,889	Agriculture	86%
Devon Sector Average	31,897	Construction	86%
Torridge Sector Average	29,474	Distribution & hotels	86%
Public sector	28,049	Manufacturing	85%
Distribution & hotels	25,303	Devon Sector Average	83%
Other services	25,300	Info & Comms.	77%
Accommodation & food	16,833	Torridge Sector Average	77%
Agriculture	15,000	Business & finance	68%

Source: Cambridge Econometrics LEFM
Note: There was no recorded employment in the Mining and quarrying sector.

Occupational Profile

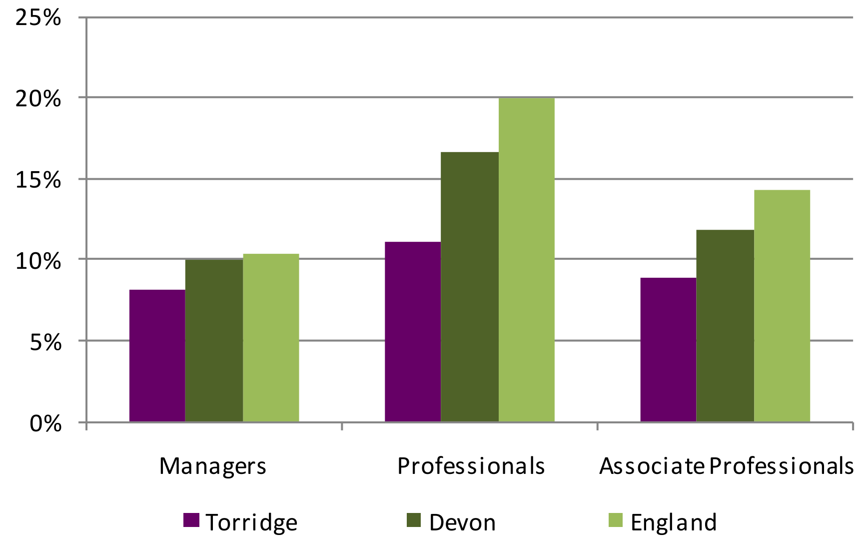
3.20 Highly skilled occupations are commonly defined as the top three occupational groups – managers and senior officials; professional occupations; and associate professional and technical occupations.

3.21 In 2012/13[4], Torridge has the second lowest concentration of highly skilled occupations (28%). It also lagged significantly behind the county (28%) and national average (45%).

3.22 The significant underperformance on this indicator is driven by low levels of employment in each of the three occupational categories, and particularly professional occupations.

[4] Data covers period from October 2012 to September 2013/

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

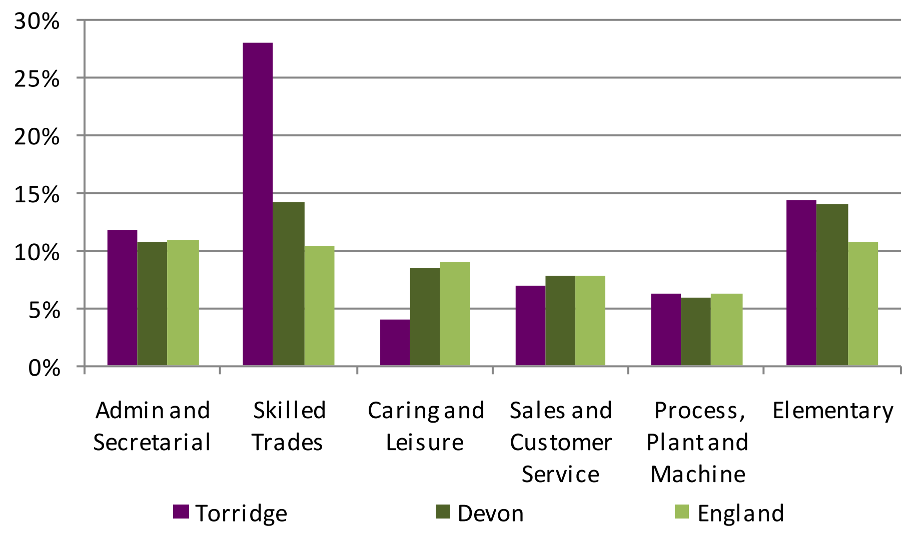


Source: Annual Population Survey

3.23 When considering other occupational categories, skilled trade occupations are exceptionally high, accounting for 28% of occupations in Torridge, compared to 14% in Devon and 10% nationally. This reflects the sectoral structure and employment specialisms in manufacturing and construction.

3.24 In contrast, sales and customer service, and particularly caring and leisure occupations are under-represented, compared to the national average.

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



Source: Annual Population Survey

Average Earnings

3.25 The average annual earnings for those who live in Torridge and those who work in Torridge are significantly different, with those who live in Torridge earning higher wages. In 2013, residents in the district earned an average of £22,076, whilst those who worked in the area earned almost £4,000 less (£18,215). This reflects travel to work patterns with residents in Torridge travelling outside the district to access higher paid employment in North Devon for example.

3.26 In both cases, the annual gross earnings are lower than the county-wide and national average. In particular, the workplace based earnings are equivalent to just 67% of the national average – this is the lowest of all the districts in Devon. While resident based earnings are also amongst the lowest values of all the districts in Devon, the gap with the national average is much smaller.

Average Gross Annual Earnings 2013			
	Torridge	**% of Devon**	**% England**
Workplace based	£18,215	78%	67%
Resident based	£22,076	93%	81%
Source: Annual Survey of Hours and Earnings			

4 Economic Forecasts

Key Messages

The growth projections for Torridge are very positive, with the district forecast to experience the highest proportionate increase in real value added and the fourth highest in employment. On both indicators, growth is expected to outpace the regional and national average. Compared to other districts, growth in Torridge is expected to be concentrated in a smaller number of sectors. The three main sectors expected to drive growth are construction, business and finance and the public sector, which are collectively forecasts to account for 84% of additional jobs and 61% of the real value added uplift

Productivity is forecast to rise and Torridge is one of three districts where the relative position is forecast to improve largely due to significant productivity improvements in business and finance, manufacturing and utilities. However, despite this improvement, it is expected that by 2025, productivity levels will be equivalent to just 80% of the national average – the third lowest of Devon's districts.

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

Torridge	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment	4.4%	3.8%	7.7%	6.9%
Real Value Added	17.4%	12.7%	32.4%	27%
Productivity	12.5%	8.6%	22.2%	18.9%

The Local Economic Forecasting Model

4.1 This section of the profile summarises the economic forecasts for Torridge as set out in the latest version (November 2013) of 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 Torridge is forecast to increase by 8%, creating an additional 1,900 additional jobs. This is the second lowest net increase forecast across Devon's districts – reflecting the scale of the employment base, and the fourth highest proportionate increase. Overall, Torridge'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
Torridge	22,800	23,800	24,700	1,000	900	4%	4%
Devon	375,400	394,000	408,600	18,600	14,600	5%	4%
SW	2,795,700	2,900,400	2,987,700	104,700	87,300	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 The level of value added growth in Torridge is forecast to significantly exceed employment growth between 2013 and 2025 resulting in an additional £219m of real value added per annum by 2025. With a projected increase of 32%, Torridge is projected to experience the 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
Torridge	677	795	896	118	101	17%	13%
Devon	12,005	13,789	15,308	1,785	1,518	15%	11%
SW	94,861	108,672	120,451	13,810	11,779	15%	11%
UK	1,238,540	1,417,753	1,573,965	179,213	156,212	14%	11%
Source: Cambridge Econometrics LEFM							

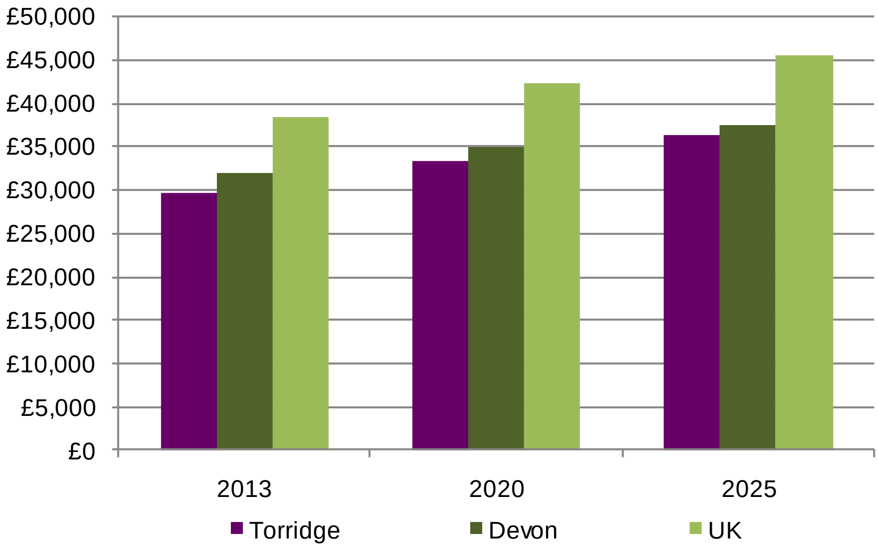
4.11 Overall, Torridge's share of total value added in Devon is expected to remain static between 2013 and 2025.

Productivity

4.12 Devon's long term challenge of productivity is evident within each of the districts and this is forecast to continue between 2013 and 2025. While productivity is forecast to rise across all districts and reach £36,287 of value added generated per employee in Torridge by 2025, performance against the national average is expected to vary.

4.13 Torridge is one of three districts where the relative position is forecast to improve with the extent to which real value added growth is forecast to outpace the national average, exceeding employment growth projections. However, despite this improvement, it is expected that by 2025, productivity levels will be just 80% of the national average (compared to 78% in 2013) and the level of value added generated per employee will be the third lowest of Devon's districts.

Productivity Levels (value added per employee) 2013 - 2025



Source: Cambridge Econometrics LEFM

Sectors – Forecast Absolute Growth

4.14 The majority of sectors in Torridge's economy are forecast to grow or remain relatively static in both employment and real value added terms between 2015 and 2025, with the exception of manufacturing which is expected to experience a slight employment decline.

4.15 When compared to the other districts and the county-wide projections, growth in Torridge is projected to be concentrated in a smaller number of sectors, particularly with regards to employment growth. The three main sectors expected to drive growth are construction, business and finance and the public sector, which are collectively forecast to account for 84% of additional jobs and 61% of the real value added uplift.

4.16 The remainder of the additional jobs will be created in distribution, accommodation and food, other services and transport and storage, with all other sectors expected to remain static.

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	500	200	700	Business & finance	29.9	28.9	58.8
Business & finance	300	200	500	Public sector	17.7	21.1	38.8
Public sector	100	300	400	Construction	23.1	12.4	35.5
Distribution, hospitality	200	0	200	Manufacturing	19.5	15.9	35.4
Accommodation & food	100	100	200	Distribution, hospitality	10	7.1	17.1
Other services	0	100	100	Accommodation & food	4.6	3.9	8.5
Transport & storage	0	100	100	Transport & storage	3.3	3.1	6.4
Agriculture	0	0	0	Info. & comms.	3.5	2.5	6
Mining	0	0	0	Other services	3.6	2.4	6
Utilities	0	0	0	Agriculture,	2	2.6	4.6
Info. & comms.	0	0	0	Utilities	0.9	0.9	1.8
Manufacturing	0	-100	-100	Mining	0	0.1	0.1
Source: Cambridge Econometrics LEFM							

4.17 Other key points to note include:

- **There will be jobless growth across a number of sectors:** This will primarily occur within production sectors (including agriculture), and in particular, manufacturing, which is forecast to experience the fourth highest actual increase in value added despite employment declining. Other sectors are also forecast to experience jobless growth over specific periods. This includes transport and storage and other services between 2015 and 2020 and distribution and hospitality between 2020 and 2025.
- **The timing of employment growth will vary by sector:** Construction and distribution and hospitality are forecast to make a more significant contribution to employment growth between 2013 and 2020, while the public sector, other services and transport and storage 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

4.18 The slightly higher than average levels of employment growth forecast for Torridge are driven by two main factors: (i) the growth level in six sectors, and particularly construction and business and finance, exceeding the national average; and (ii) the level of decline forecast for the manufacturing sector being much lower than the national average.

Growth Rates 2013-2025 – Ranked by fastest growing					
Employment			Real Value Added		
Sector	Torridge	UK	Sector	Torridge	UK
Construction	32%	19%	Business & finance	57%	51%
Business & finance	16%	12%	Info. & comms.	56%	53%
Accommodation & food	12%	16%	Construction	44%	52%
Transport & storage	11%	9%	Manufacturing	34%	23%
Other services	10%	9%	Accommodation & food	29%	28%
Public sector	6%	4%	Other services	24%	29%
Distribution, hospitality	6%	3%	Public sector	23%	14%
Agriculture	0%	-5%	Transport & storage	21%	29%
Mining	0%	-7%	Distribution, hospitality	20%	19%
Utilities	0%	13%	Utilities	18%	9%
Info. & comms..	0%	17%	Agriculture	17%	17%
Manufacturing	-5%	-11%	Mining	8%	5%
Source: Cambridge Econometrics LEFM					

4.19 In terms of the high real value added projections for Torridge, this is driven by the increase in the majority of sectors outpacing the national average. Specifically, the projected growth rates are particularly high for manufacturing, the public sector and utilities.

Sectoral Productivity

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

- **Reduce in six sectors:** (accommodation and food, manufacturing, utilities, distribution and hospitality, business and finance, and information and communication) by up to 20 percentage points;
- **Increase in three sectors:** (construction, other services and transport and storage) by one percentage point;
- **Remain static in two sectors:** (public sector and agriculture).

4.21 In particular, the significant levels of improvement forecast for business and finance, utilities and manufacturing is one of the main factors contributing to the improvement in Torridge's overall productivity levels. The utilities sector is forecast to become the only sector which out-performs equivalent levels of productivity nationally by 2025.

Productivity By Sector 2013 - 2025						
	2013		2020		2025	
Sector	**£**	**% UK**	**£**	**% UK**	**£**	**% UK**
Other services	£25,200	96%	£28,800	102%	£28,364	95%
Accommodation & food	£17,235	92%	£18,833	92%	£19,895	95%
Public sector	£27,365	90%	£29,703	90%	£31,522	90%
Manufacturing	£46,909	89%	£55,773	89%	£66,000	92%
Transport & storage	£33,667	89%	£37,333	92%	£36,700	88%
Utilities	£98,000	89%	£107,000	101%	£116,000	109%
South West	**£33,931**	**89%**	**£37,468**	**89%**	**£40,316**	**89%**
Agriculture	£17,867	88%	£19,200	88%	£20,933	88%
Distribution, hospitality	£25,970	86%	£27,343	85%	£29,371	87%
Construction	£36,364	84%	£38,185	83%	£39,828	83%
Torridge Total	**£29,697**	**78%**	**£33,403**	**79%**	**£36,287**	**80%**
Business & finance	£33,032	68%	£38,912	71%	£44,778	75%
Info. & comms.	£35,667	58%	£47,333	68%	£55,667	72%
Mining excluded because employment=0 Source: Cambridge Econometrics LEFM						

Sectoral Profile

4.22 Overall, despite the changes outlined above, the sector profile of the Torridge economy is forecast to remain largely unchanged in both employment and real value added terms. The high levels of growth forecast for business and finance are, however, expected to slightly increase the sector's share of total employment and real value added, causing the public sector's share to decrease slightly. Consequently, key private service sectors are expected to remain under-represented in the Torridge district.

5 Key Messages and Implications

Key Strengths

Recent Investment to Support the Established Visitor Economy

5.1 Torridge's diverse natural environment, including rural villages and the coastal town of Westward Hoe!, is attractive to both visitors and residents. The visitor economy is underpinned by a large accommodation and food sector, and has benefited from recent investment to raise the standard and quality of the accommodation offer and improve the public realm at Westward Hoe!. To support the overall aim of attracting higher spending tourists and increasing the average length of stay, continual investment to maintain visitor appeal in the area will be important.

An Established Business Base, with High Levels of Self Employment

5.2 There are a number of important features of the business base in Torridge. Micro businesses form the core of the base, contributing to the business density exceeding the national average. There is also a high level of self employment, suggesting a strong entrepreneurial culture, and a small number of large employers which are an important source of local employment. Maintaining this mix will contribute to local economic resilience, with the large number of micro businesses reducing dependence on single employers. Supporting large firms to remain within Torridge will also be important to prevent a reduction in the number of employment opportunities available locally.

Forecasts for Strong Growth in the Torridge Economy

5.3 The growth projections for Torridge are very positive, with forecasts that the district will experience the highest proportionate increase in net value added and the fourth highest in employment in Devon. This is expected to create 1,900 additional local employment opportunities predominately within the construction, business and finance and public sectors. This will help to reduce the dependence on surrounding economies and vulnerability to economic stresses in other areas, linked to high levels of out-commuting.

Key Challenges

Stabilising the Manufacturing Sector

5.4 As one of the largest employment and most productive sectors in Torridge, manufacturing continues to be important in the district. While the sector is forecast to make a substantial contribution to forecast real value added growth between 2013 and 2025 and be an important source of replacement demand, total employment in manufacturing is forecast to decline. The current importance of the sector places an imperative upon arresting decline in future years by exploring opportunities to supply or diversify into 'new' manufacturing sectors (e.g. low carbon and environmental technologies), enter new markets (including international markets) or attract inward investment.

Diversifying the Employment Base

5.5 Despite positive employment forecasts for Torridge, growth is expected to be concentrated in a smaller number of sectors than in other parts of the county. It also includes high levels of growth in construction and the public sector (most likely heath related occupations) which will increase the current level of dependence on these sectors. While growth in the business and finance sector will help to diversity the economy, capturing a larger share of this growth and expansion in other key private sector services which are currently underrepresented in Torridge will increase local economic resilience. Investment in connectivity will be required to support efforts to attract new businesses to the area.

Creating Higher Quality Job and Training Opportunities

5.6 Linked to the above, there is a need to try to influence and increase the quality of the employment and training opportunities that are available locally, with a particular focus on increasing the number of highly skilled occupations and training opportunities for young people. There are a number of important reasons for this: (i) the academic and vocational options for young people within the district are limited and lead to many young people leaving the district, (ii) the occupational profile of the workforce is causing underemployment to be an issue (despite the low skills levels), and (iii) a high number of residents commute to access higher paid employment. Improving the quality of opportunities locally will help to increase the economic prosperity of the district, and again help to reduce the dependence on surrounding economies and vulnerability to economic stresses in other areas.

Improving the Resident Skills Base

5.7 There is an imperative to improve skills levels to ensure that residents have the skills required to access and progress in employment. From NVQ L2+, Torridge has a lower proportion of people qualified at each level than nationally and this gap widens as the qualification levels increase. At just 24%, Torridge has the lowest proportion of people qualified to NVQ L4+. Improving skills levels will also help with activities to attract and retain businesses in the area, with the quality of the workforce and the availability of the required skills being one of the biggest factors which influences a company's decision on location.

Closing the Productivity Gap

5.8 At present, Torridge is one of the least productive districts in Devon with real value added per employee equivalent to just 77% of the national average. While it is one of three districts where the relative position is forecast to improve, it is expected that productivity levels will be just 80% of the national average and this under-performance will continue to be evident. Active measures could be taken to help reduce the gap including a focus on attracting and growing high productivity sectors and increasing productivity levels of the existing workforce. This includes the measures outlined above linked to attracting higher quality employment opportunities, diversifying the employment base and upskilling the resident base.

The Natural Environment as a Constraint to Growth

5.9 Whilst the attractiveness of the natural environment is a significant asset, it also presents a potential constraint to growth. Securing high levels of new employment through both existing and incoming businesses requires their accommodation needs to be satisfied. At present a limited amount of land is allocated as employment space and while a new Local Plan is emerging which will include new allocations, considering applications outside of these allocations is subject to various environmental considerations. Ensuring an adequate and appropriate supply of sites and premises will be important to support growth.