East Devon Area Profile

Produced for Devon County Council

February 2014

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East Devon in Summary

CONTRIBUTION TO THE DEVON ECONOMY		
East Devon is Devon's largest district in population terms, and second largest in employment terms. It benefits from its proximity and links with Exeter, including the Exeter and East Devon Growth Point. East Devon's projects in the Growth Point include the Flybe Training Academy and the Clyst Honiton bypass. The environmental assets of the district, including two areas of Outstanding Natural Beauty and the Jurassic Coastline world heritage site make East Devon attractive to tourists; tourism-related sectors are well-represented. The district also benefits from the presence of Exeter International Airport, a regional asset reflected in East Devon's employment specialism in air transport.		
Indicator	**2012**	**% of Devon**
Employment	42,800	15%
Businesses	5,395	18%
Real Value Added	£1681m	14%
Population	134,400	18%
LABOUR MARKET		
Indicator	**Key Points**	**Latest Position**
Employment Rate	• Exceeds the national average • Highest employment rate in Devon (linked to low unemployment levels)	78.1%
Unemployment Rate	• Below the national average • Lowest unemployment rate in Devon	2.7%
Inactivity Rate	• Lower than the national average • Fourth lowest inactivity rate in Devon	19.8%
NVQ L2+	• Skills profile exceeds the national average from NVQ L1 to L3 • Fifth highest proportion qualified to NVQ4+ in Devon, in line with national average	82.4%
NVQ L4+		34.2%
CURRENT ECONOMIC PERFORMANCE		
Indicator	**Key Points**	**Latest Position**
Employment Density	• Small employment base relative to size of working age population – density lags behind national average • Fourth highest in Devon	57,192 per 100,000 working age residents
Business Density	• Business density exceeds the national average • Second highest business density in Devon after South Hams • High 3 year survival rates and average start up rate	72 per 1,000 working age residents
Productivity	• Equivalent to 80% of the national average • Fourth lowest productivity levels in Devon	£30,562 per employee
Highly Skilled Occupations	• Highly represented due to high numbers of managers and particularly professionals • Administrative and secretarial and caring and leisure occupations are highly represented	48%
Average Annual Workplace Earnings	• Lower than resident based earnings in North Devon • Both workplace and resident earnings lower than national average	£19,241
ECONOMIC FORECASTS		
Indicator	**Key Points**	**% Change 2013-2025**
Employment	• Highest proportionate increase in Devon exceeding national average • Driven by construction, accommodation and food and business and finance	+5,900 / 10.7
Real Value Added	• Third highest proportionate increase in Devon, exceeding national average • Growth balanced across a number of sectors	+ £523m / 31.0%
Productivity	• One of three districts where relative productivity is forecast to remain static • Forecast to be equivalent to 80% of national average by 2025	+18.3%
See Annex 1 for data sources		

1 Introduction

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

The East Devon Area Profile

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

Introducing East Devon

1.3 East Devon is the sixth largest local authority area in Devon, located on the boundary with South Somerset and West Dorset, and covering an area 823,732m^2. The district boasts exceptional environmental assets including two Areas of Outstanding Natural Beauty (AONB) and the Jurassic Coastline world heritage site which runs the length of the district's southern border. East Devon also contains the main airport for the south west – Exeter International Airport – located in the west of the district, providing linkages to a range of UK (including Edinburgh, Belfast and Manchester) and European destinations (including Paris, Geneva, and Amsterdam).

A Varied Geography

1.4 East Devon's geography is varied, ranging from urban fringe on the edge of Exeter, to smaller seaside, market towns, and villages. The district is officially classified as 'Rural 50', with at least 50%, but less than 80 per cent of the population living in rural settlements and larger market towns[1]. The large majority of land in East Devon (91%) is classified as green space, accounting for 748,938m^2 of its total area. As such, the district has a low population density of 1.7 persons per hectare, compared to the England average of 4.1. Of the district's 68 parishes, just four have a population density above this average.

1.5 There are ten parishes in East Devon with population levels exceeding 3,000 people (Axminster, Broadclyst, Budleigh Salterton, Colyton, Exmouth, Honiton, Ottery St Mary, Seaton, Sidmouth and Woodbury) the largest of which are the coastal resorts of Exmouth and Sidmouth, and the rural inland settlement of Honiton:

- **Exmouth**: With a population of almost 36,000, Exmouth is the largest urban area within East Devon. The town's seafront, expansive sandy beaches, and estuary location make it a popular seasonal visitor destination.
- **Sidmouth**: Located to the east of Exmouth, and 15 miles south east of Exeter, Sidmouth is the second largest conurbation in the district with a population of just over 14,000, which is swelled by year round tourism. The town has rich architectural value, with large parts designated as a conservation area, and has become a popular location to both visit and live.
- **Honiton**: The market town of Honiton is the third largest of East Devon's towns, with a population of just over 11,600. The town is situated at the junction of the A35, A30, and A373 roads and acts as centre for shopping, employment and services for the surrounding rural areas.

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

1.6 Significantly, the 'West End' of the district is part of the Exeter and East Devon Growth Point – a public and private sector partnership to support sustainable economic growth over the next 20 years. The development programme will result in additional jobs and the diversification of the local employment base, as well as new homes and the creation of new communities.

A Well Connected District with a Large Commuter Population

1.7 Despite its rural nature, the district is relatively well connected. The A30/A303 provides the main access route out of the district to South Somerset and West Dorset as well as London and the South East, whilst the M5 provides access to London and the north of the county, via Exeter. London can be reached in about three hours by road. In terms of rail, a commuter line links Exmouth to Exeter, whilst a mainline rail service provides regular links to London.

1.8 Commuter flows are a key aspect of East Devon's spatial economy. The Annual Population Survey indicated a commuting outflow of 19,037, and inflow of 6,448 in 2012, providing a net flow of workers out of the district of 12,589. The largest proportion of all out-commuters went to Exeter, followed by West Dorset and South Somerset.

Report Structure

1.9 The remainder of the report is structured as follows:

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

2 The East Devon Labour Market

Key Messages

East Devon is the county's largest district in population terms, offering residents a choice of both urban and varied rural locations. The district has a very small working age population in relative terms and benefits from an exceptionally high employment rate driven by low levels of unemployment. The employment rate is primarily supported by high levels of out-commuting (rather than a high employment density within East Devon) as well as high levels of self employment.

East Devon has a skilled (but not highly skilled) population. A high proportion of working age residents hold qualifications. Although this is weighted towards NVQ Levels 1 to 3, rather than NVQ L4+, where performance is in line with the county-wide and national average.

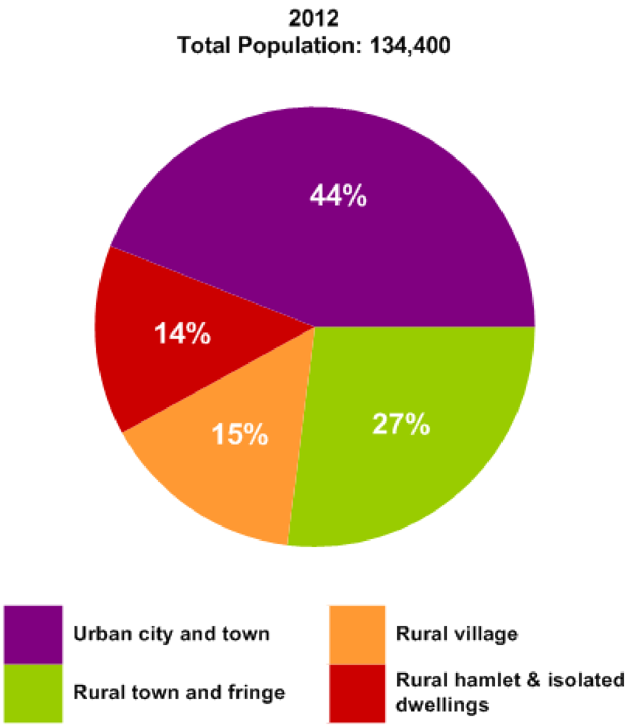
East Devon's performance against each of the key indicators covered in this chapter is summarised in the table below.

	Indicator	East Devon	Devon	England	Performance against national average
Employment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**78.1%**	**75.9%**	**71.4%**	
Unemployment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of economically active population	**2.7%**	**4.5%**	**7.9%**	
Inactivity Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**19.8%**	**21.0%**	**22.4%**	
NVQ L2+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**82.4%**	**77.3%**	**71.8%**	
NVQ L4+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	**34.2%**	**34.9%**	**34.2%**	

Population

2.1 East Devon is the county's largest district in population terms. In 2012, the district was home to 134,400 residents, accounting for 18% of Devon's total population. The area has a mixed rural-urban profile, with just over half of the population living in rural areas. Across East Devon, the rural areas consist of rural town and fringe, rural villages and rural hamlets and isolated dwellings.

Urban-rural split, 2012



Source: Mid-year Population Estimates, 2011 Census

Age Profile

2.2 With just 60% of residents age 16-64, Devon has a small working age population and, in relative terms, it is even smaller in East Devon where just 56% of the population are of working age. In contrast, there are a high number of residents age 65+, reflecting the large population of those who are retired in East Devon.

Age Profile of the Population, 2012				
	No.	%	Devon (%)	England (%)
Under 16s	20,800	15.5	16.4	18.9
Age 16-64	74,900	55.7	60.1	64.1
Over 65+	38,700	28.8	23.4	16.9
Source: Mid Year Population Survey				

Economic Activity

2.3 The latest data from the Annual Population Survey[2] highlights the exceptionally high employment rate in East Devon, the highest in the county at 78%. This reflects particularly low levels of unemployment, at just 3%, as well as inactivity rates which are lower than the county-wide and national average.

2.4 The high employment rate is also supported by high levels of out-commuting (rather than a high employment density within East Devon) and high levels of self employment. East Devon has the third highest level of self employment exceeding both the county-wide (16.5%) and the national average (19.6%).

Profile of the Working Age Population 2012/13				
	No.	%	Devon (%)	England (%)
Employment rate	56,400	78.1	75.9	71.4
Unemployment rate	1,500	2.7	4.3	7.9
Inactivity rate	14,300	19.8	21.0	22.4
Source: Annual Population Survey				

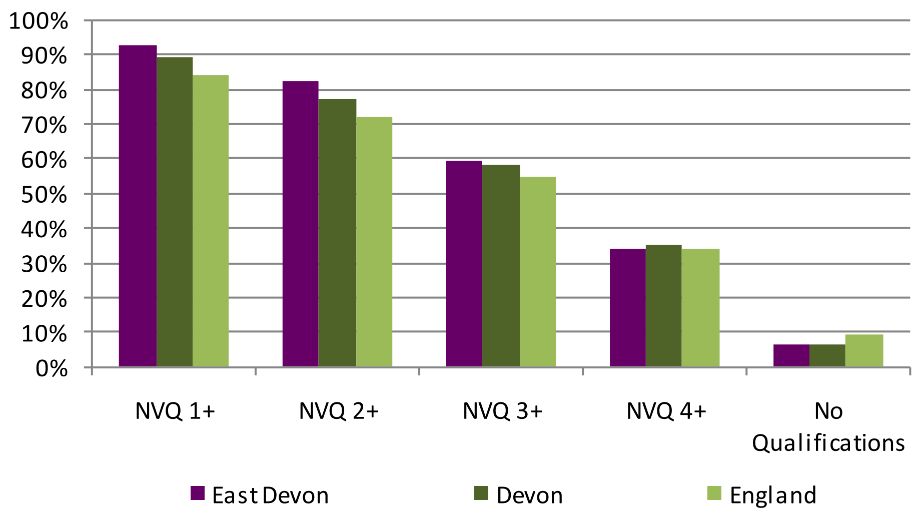
[2] Data covers period October 2012 to September 2012

2.5 Where residents are economically inactive, the primary reason is retirement. This accounts for third of the economically inactive population, with a further third looking after a family or home. The remainder are students, long-term sick or have other reasons for inactivity.

Skills

2.6 East Devon has a skilled (but not highly skilled) population. In line with the county-wide profile, a high proportion of the working age residents in East Devon hold qualifications, although this is slightly weighted towards NVQ Levels 1 to 3, rather than NVQ Level 4+. In terms of the proportion of the working age population qualified to NVQ4+, East Devon ranks fifth out of the eight districts in the county.

Qualifications of the Working Age Population, 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

As the county's second largest district in employment terms, East Devon performs strongly on a number of indicators. The district has a large and established business base, with the second highest business density in Devon, strong business survival rates and in the context of Devon, one of the highest start up rates. Employment specialisms include accommodation and food and construction reflecting the popularity of the district with tourists and the level of development taking place. Agricultural employment is also highly represented.

Productivity continues to be an issue for the district, with the level of value added generated per employee equivalent at just 80% of the regional average – the district also has the third lowest productivity level in Devon.

Further, despite East Devon being the highest performing district in terms of highly skilled occupations and one of only two districts to exceed the national average, this does not translate into above average wages. Annual average workplace earnings in East Devon are just 87% of the national level, and on average, residents who travel outside the area for work have higher earnings that people working locally.

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

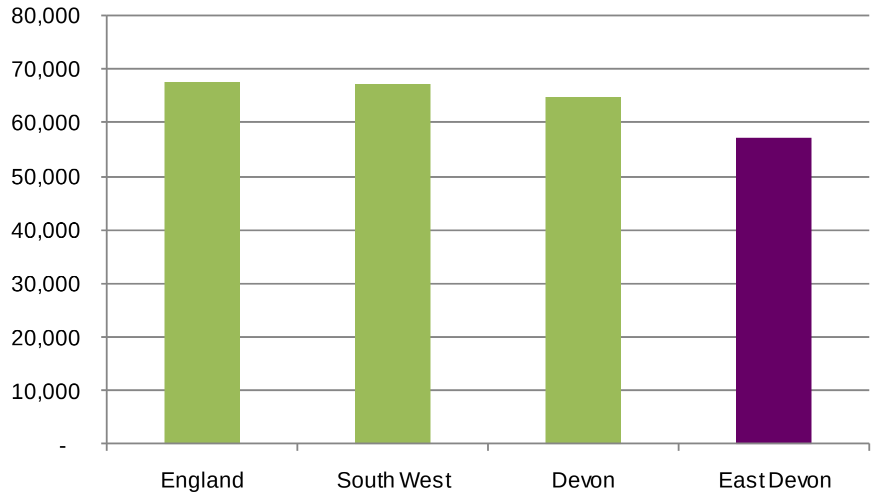
	Indicator	East Devon	Devon	England/UK	Performance against national average
Employment density Source: BRES, Mid-year Population Estimates	Employees per 100,000 working age residents	57,192	64,799	67,699	84%
Business density Source: Business Demography, Mid-year Population Estimates	Businesses per 1,000 working age residents	72	67	60	120%
Productivity Source: LEFM	Real Value Added per Employee	£30,562	£31,897	£38,293	80%
Highly Skilled Occupations Source: Annual Population Survey	Top 3 occupational groups as % of all occupations	48%	38%	45%	
Average workplace earnings Source: ASHE	Average gross annual earnings	£19,241	£19,091	£22,199	87%

Employment

3.1 East Devon is the county's second largest district in employment terms. In 2012, there were over 42,800 employees, accounting for 15% of total employment in Devon.

3.2 Despite the overall scale of the employment base, East Devon has a lower number of jobs for every 100,000 working age residents (approximately 57,000) than three other districts in Devon. The employment density is also lower than the average for the South West and England, and almost 8,000 additional jobs would need to be created to reach national levels (an uplift of 14%).

Employment Density, 2012 – Employees per 100,000 working age residents



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

3.3 Mirroring the employment profile of the county, the largest employment sectors in East Devon are wholesale & retail, health & social work and accommodation and food, which collectively account for 45% of total employment.

3.4 In two of these sectors – accommodation and food and wholesale and retail – East Devon's share of employment in the county's sector (18% and 16% respectively, is higher than its share of total employment in Devon (15%). East Devon also makes a significant contribution to employment in Devon's transport and storage (25%), construction (20%) and other services (19%) sectors.

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, East Devon had a location quotient above one in six of the nineteen main sectors, with particularly high levels of employment in accommodation and food, construction, and water services, reflecting local employment specialisms and the level of development taking place across the district.

3.7 Agriculture is a significant industry within East Devon. The true employment figures for the sector are not captured in the data below, partly due to high levels of self-employment, and also because the method of data collection for the BRES survey means that agriculture figures are generally considered to be unreliable.

3.8 At the opposite end of the spectrum, there are several sectors which continue to be under-represented. This includes key private service sectors which are not typically dependent on local demand and expenditure, such as professional, scientific and technical activities, information and communication, finance and insurance and administration and support. In these sectors employment levels in East Devon are as low as half of the national average. The scale of these sectors also makes a significant contribution to the district's overall employment gap.

Employment by Sector, 2012				
Ranked by Size			Ranked by Concentration	
Sector	**No.**	**%**	**Sector**	**LQ**
Wholesale & retail	8,800	21%	Accommodation & food	1.79
Health & social work	5,300	12%	Construction	1.70
Accommodation & food	5,200	12%	Utilities: water	1.51
Education	3,700	9%	Other services	1.45
Construction	3,200	7%	Transport & storage	1.41
Manufacturing	2,900	7%	Wholesale & retail	1.28
Transport & storage	2,800	7%	Health & social work	0.96
Prof., scientific & tech.	2,100	5%	Arts & entertainment	0.95
Public admin	1,800	4%	Real estate	0.91
Admin & support	1,700	4%	Education	0.89
Other services	1,200	3%	Public admin	0.87
Info & comms	1,000	2%	Manufacturing	0.78
Arts & entertainment	1,000	2%	Prof., scientific & tech.	0.64
Finance & insurance	800	2%	Utilities: electric & gas	0.59
Real estate	600	1%	Info & comms	0.59
Utilities: water	400	1%	Agriculture	0.51
Agriculture	100	0%	Finance & insurance	0.49
Utilities: electric & gas	<100	0%	Admin & support	0.46
Mining	<100	0%	Mining	0.22
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 East Devon become more apparent. In particular, the analysis shows that:

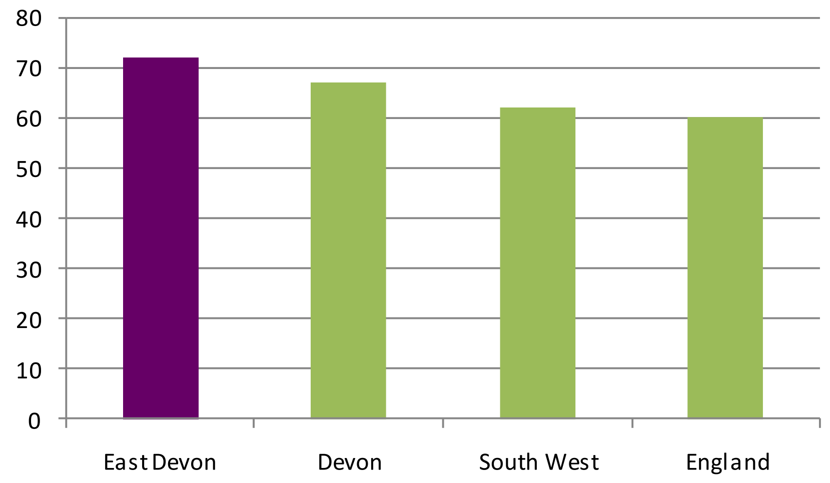
- Levels of employment in air transport are almost nine times the national average, reflecting the presence of Exeter International Airport;
- The popularity of East Devon (especially Exmouth) for tourists contributes to the high representation of the accommodation sector in the district, with employment levels over three times the national average. Exmouth is home to numerous hotels and bed and breakfasts, as well as the Devon Cliffs Holiday Park. The food and beverage sector is also highly represented.
- The high levels of employment construction is driven by all sub-sectors being highly represented including civil engineering, specialised construction activities and the construction of buildings.
- Residential care activities is a significant employment sector, despite overall employment levels in the health and social work sectors being slightly lower than the national average. This reflects the age profile of the population, with a high proportion of residents aged 65+.

Employment Specialisms, 2012		
Sector	**No.**	**LQ**
Air transport	1,200	8.93
Accommodation	1,900	3.21
Civil engineering	800	2.58
Residential care activities	2,200	2.03
Activities of membership organisations	600	1.74
Specialised construction activities	1,600	1.57
Construction of buildings	800	1.48
Retail	6,300	1.46
Food & beverage service	3,300	1.42
Other personal service	600	1.36
Source: Business Register and Employment Survey		

The Business Base

3.10 With almost 5,400 active businesses in 2012, the scale of the business base is one of East Devon's key strengths. With 72 businesses for every 1,000 working age residents, East Devon had the second highest business density in the county and also exceed the regional and national average.

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

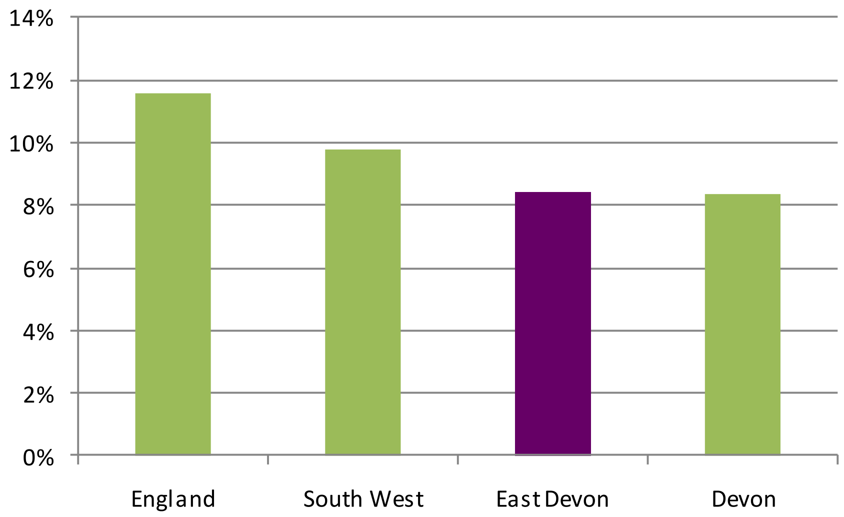


Source: Business Demography

3.11 Further analysis shows that this high business density is driven primarily by strong survival rates relative and a reasonably high level of start ups.

3.12 In 2012, East Devon's start up rate was 8.4%, with 455 business births that year. While this was the second highest start up rate in county, it fell short of regional and national figures of 9.8% and 11.6% respectively. For East Devon to reach national levels, an additional 170 business births would have been required (an uplift of 37%).

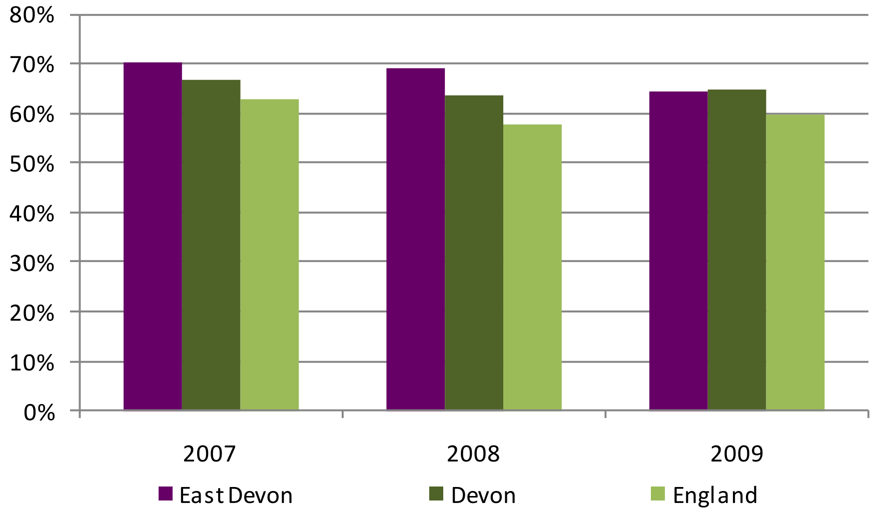
Business Start Up Rate, 2012 – Births as % of active businesses



Source: Business Demography

3.13 In terms of survival rates, of those businesses that were set up between 2007 and 2009, up to 70% have survived for three years, compared to 63% nationally and 67% across the county.

Three Year Business Survival Rates by Business Birth Year



Source: Business Demography

Real Value Added

3.14 Value added is typically used to provide a measure of an area or sector's economic contribution. It can be measured in gross or real terms, with the latter eliminating the effects of inflation and basing the value of output on the prices of a fixed year[3].

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

3.16 The model estimates that East Devon generated £1,681m of real value added in 2012, accounting for 14% of total value added in Devon. This is slightly lower than the district's share of employment (15%) reflecting the relative productivity levels of the district.

Productivity

3.17 For the purpose of this report, productivity is measured as the level of real value added 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 East Devon, where £30,562 of value added was generated per employee in 2012. This ranked as the fourth lowest level in Devon, falling short of the county-wide average and equivalent to just 80% of the national average. If productivity levels were to match the national average, an additional £425m of value added would be generated per annum.

3.18 The productivity challenge which East Devon 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 East Devon:

- **Sector performance:** In 2012, the productivity levels of all but one of the twelve major sectors in East Devon were below the national average. The extent of the disparity varied significantly by sector, ranging from the productivity of the information and communications sector being equivalent to just 65% of the national average to transport and storage reaching 96%. The relative productivity levels of the business and finance and manufacturing sectors were also particularly low.

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

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

- **Sector mix:** Several of the sectors which are highly represented in East Devon in employment terms typically generate lower levels of value added, including accommodation and food and distribution. 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 information and communications continue to be under-represented in Devon in employment terms.

Productivity By Sector (value added per employee) 2012			
Sector*	**£**	**Sector**	**% of UK**
Agriculture	141,818	Public sector	105%
Utilities	96,200	Transport &storage	96%
Manufacturing	42,677	Other services	95%
Info & comms	41,923	Accommodation & food	94%
Construction	36,862	**South West Sector Average**	**88%**
Transport & storage	35,118	Distribution, hospitality	87%
South West Sector Average	**33,696**	Utilities	86%
Business and finance	33,194	Agriculture	85%
Public sector	32,558	Construction	84%
Devon Sector Average	**31,897**	**Devon Sector Average**	**83%**
East Devon Sector Average	**30,562**	Manufacturing	81%
Distribution, hospitality	25,632	**East Devon Sector Average**	**80%**
Other services	24,931	Business & finance	68%
Accommodation & food	17,180	Info & comms	65%

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

Occupational Profile

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

3.20 East Devon is the highest performing on this measure out of all of the Devon districts, and one of only two districts in Devon to out-perform the national average. In 2013, 48% of all occupations were classed as highly skilled, exceeding the county wide average of 38% and the national average of 45%.

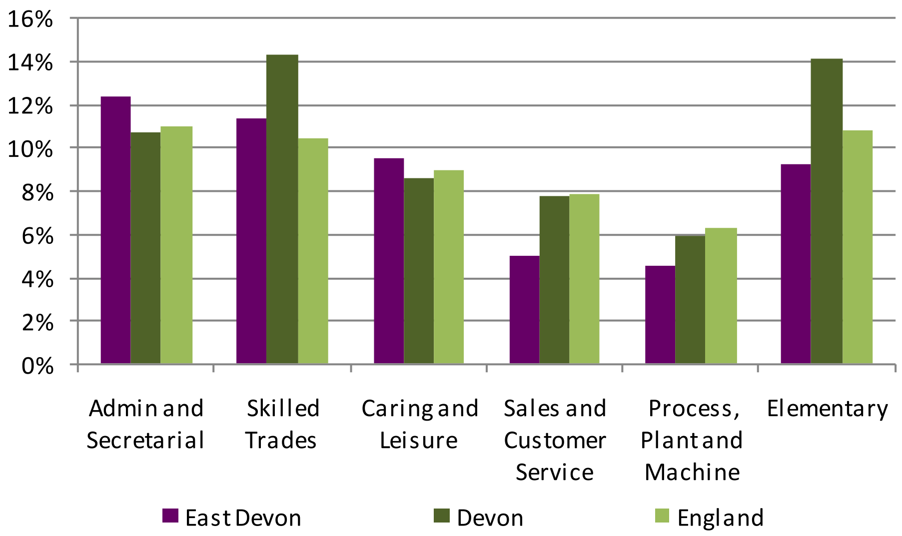
3.21 This strong performance was driven by a high level of managerial and professional occupations, which more than compensates for the shortfall of associate professional occupations when compared to the county-wide and national profile.

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

Source: Annual Population Survey

3.22 The remainder of East Devon's overall occupational profile varied from both Devon and national profiles. The main areas of variation were a high representation of administration and secretarial and caring and leisure occupations, while all other occupations, and particularly sales and customer service, are under-represented in comparative terms.

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



Source: Annual Population Survey

Average Earnings

3.23 The high representation of highly skilled occupations does not however translate into high wages in the district, with average annual workplace earning equivalent to just 87% of the national average. This is a reflection of the sectoral profile of the district's employment base, with a high proportion of the managers likely to work in sectors which are typically lower paid (such as accommodation and food).

3.24 The average annual resident based earnings are over £2,000 greater than the equivalent workplace figure, reflecting the large numbers of workers (7,100 as of the 2001 Census[5]) commuting to other districts, especially Exeter. While resident based figures significantly exceed those in other parts of the county, they continue to be lower than the national average.

Average Gross Annual Earnings, 2012			
	East Devon	% of Devon	% England
Workplace based	19,241	101%	87%
Resident based	21,393	112%	96%
Source: Annual Survey of Hours and Earnings			

[5] 2011 Census figures on travel to work patterns are yet to be released

4 Economic Forecasts

Key Messages

The growth projections for East Devon are very positive, with the district forecast to experience the highest proportionate increase in employment and the third highest increase in real value added. On both indicators, growth is expected to outpace both the regional and national average.

In particular, the construction sector is forecast to drive employment growth, while value added growth is expected to be balanced across a number of sectors, including significant increases within construction, business and finance and the public sector.

While productivity is forecast to rise, relative productivity levels will remain a challenge, with projections showing that they will continue to be equivalent to just 80% of the national average by 2025.

It is important to note that these forecasts do not include all of the employment and real value added benefits that will arise from the Exeter and East Devon Growth Point.

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

East Devon	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment Source: LEFM	6.2%	4.3%	10.7%	6.9%
Real Value Added Source: LEFM	17.4%	11.6%	31.0%	27.1%
Productivity Source: LEFM	10.6%	7.0%	18.3%	18.9%

The Local Economic Forecasting Model

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

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

4.3 Further, the forecasts do not take account of the impact of new policy interventions (such as the Exeter and East Devon Growth Point) 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, the forecasts largely present the 'policy off' situation. However, as they 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, East Devon is projected to experience the highest proportionate employment increase of Devon's districts (11%) outpacing 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.

4.9 The projected growth will create an additional 5,900 jobs - the second highest net increase forecast across Devon's districts. Overall, East Devon's share of total employment in Devon is expected to remain static between 2013 and 2025.

Employment Change, 2012							
	Employment			Net Change		% Change	
Area	2013	2020	2025	2013-2020	2020-2025	2013-2020	2020-2025
East Devon	55,000	58,400	60,900	3,400	2,500	6%	4%
Devon	375,400	394,100	408,600	18,700	14,500	5%	4%
SW	2,795,500	2,897,600	2,983,400	102,100	85,800	4%	3%
UK	32,332,200	33,503,600	34,565,900	1,171,400	1,062,300	4%	3%
Source: Cambridge Econometrics LEFM							

Real Value Added

4.10 The level of value added growth in East Devon is forecast to significantly exceed employment growth between 2013 and 2025 resulting in an additional £524m of real value added per annum by 2025. With a projected increase of 31%, East Devon is forecast to experience one of 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, 2012							
	Real Value Added (£m)			Net Change		% Change	
Area	2013	2020	2025	2013-2020	2020-2025	2013-2020	2020-2025
East Devon	1,691	1,985	2,214	294	229	17%	12%
Devon	12,005	13,789	15,308	1,785	1,518	15%	11%
SW	94,861	108,672	120,451	13,810	11,7789	15%	11%
UK	1,238,540	1,417,753	1,573,965	179,213	156,212	14%	11%
Source: Cambridge Econometrics LEFM							

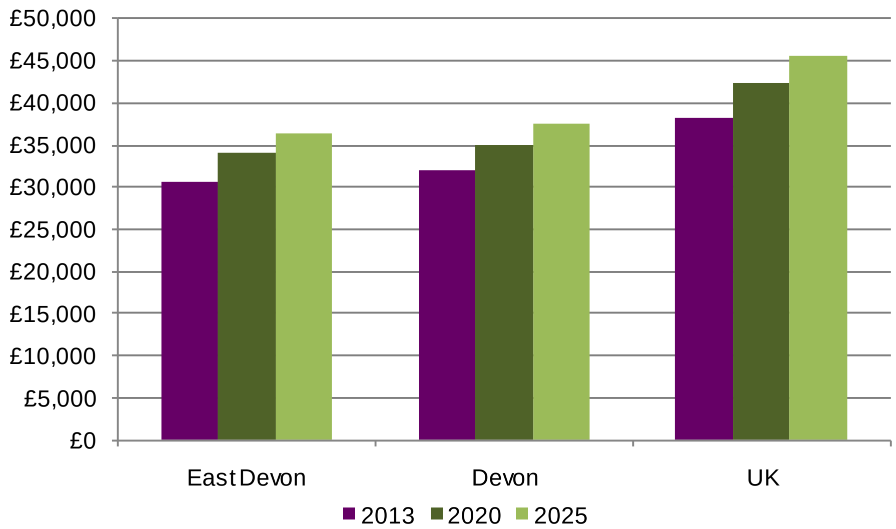
4.11 Overall, as with employment, East Devon's share of total value added in Devon is expected to remain static between 2013 and 2025.

Productivity

4.12 Devon's long term challenge of productivity is evident within each of the districts and this is forecast to continue between 2013 and 2025. While productivity is forecast to rise across all districts and reach £36,356 of value added generated per employee in East Devon by 2025, performance against the national average is expected to vary.

4.13 East Devon 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 80% of the national average and the level of value added generated per employee will be the fourth lowest of Devon's districts.

Productivity, 2013-2025 (value added per employee)



Source: Cambridge Econometrics LEFM

Sectors – Forecast Absolute Growth

4.14 The majority of sectors in East Devon's economy are forecast to grow or remain relatively static in both employment and real value added terms between 2015 and 2025. The construction sector is expected to make the largest contribution to growth, accounting for 53% of additional jobs and 28% of the real value added uplift. The construction employment increase is forecast to be five times higher than the increase of any other sector.

4.15 While the employment forecasts for East Devon show a high level of dependence on the construction sector, the real value added forecasts are based upon more balanced growth across a number of sectors, including significant increases within business and finance and the public sector.

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	2,100	1,000	3,100	Construction	93.5	51.8	145.3
Accommodation & food	300	300	600	Business & finance	54.8	48.9	103.7
Business & finance	400	200	600	Public sector	16.9	36	52.9
Info. & comms.	300	100	400	Transport & storage	32.3	18.4	50.7
Transport & storage	200	200	400	Distribution, hospitality	27.7	20.2	47.9
Distribution, hospitality	300	100	400	Manufacturing	22.3	16.2	38.5
Public sector	-100	400	300	Info. & comms.	18.2	13.1	31.3
Other services	200	100	300	Accommodation & food	14.7	11.4	26.1
Utilities	0	100	100	Other services	10.3	7.8	18.1
Mining	0	0	0	Agriculture	2.5	3.4	5.9
Agriculture	-100	0	-100	Utilities	1.2	1.9	3.1
Manufacturing	-100	-100	-200	Mining	0	0.1	.1
Source: Cambridge Econometrics LEFM							

4.16 Other key points to note include:

- **The role which sectors play in driving growth will vary:** There are a number of key differences between the sectors which will drive job creation and those which will make a greater contribution in value added terms reflecting varying productivity levels. In particular, accommodation and food will be a key employment creation sector (with low levels of value added growth), while the public sector will make a more significant contribution to value added growth than employment growth. The manufacturing sector will also make a contribution to real value added growth despite employment decline.
- **The timing of employment growth will vary by sector:** Five of the eleven sectors, and particularly construction, are expected to make a more significant contribution to employment growth between 2013 and 2020, while the public sector is 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

4.17 The high levels of employment and real value added growth forecast for East Devon are driven by the projected growth rates for most sectors exceeding the national average. With regards to employment, the level of decline forecast for the manufacturing sector is also expected to be lower than the national average.

Growth Rates, 2013-2025 – ranked by fastest growing					
Employment			Real Value Added		
Sector	East Devon	UK	Sector	East Devon	UK
Construction	55%	19%	Construction	71%	33%
Info. & comms.	29%	17%	Info. & comms.	53%	46%
Utilities	20%	13%	Business & finance	43%	38%
Transport & storage	12%	9%	Transport & storage	41%	21%
Accommodation & food	10%	16%	Manufacturing	29%	22%
Other services	10%	9%	Accommodation & food	25%	30%
Business & finance	8%	12%	Other services	25%	24%
Distribution, hospitality	4%	3%	Mining	20%	8%
Public sector	2%	4%	Distribution, hospitality	19%	15%
Agriculture	-5%	-5%	Agriculture	17%	12%
Manufacturing	-6%	-11%	Public sector	13%	20%
Mining	-	-7%	Utilities	6%	9%
Source: Cambridge Econometrics LEFM					

Sectoral Productivity

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

- **Reduce in six sectors:** (transport and storage, accommodation and food, distribution, agriculture, manufacturing and business and finance) by up to 14 percentage points;
- **Decrease in five sectors:** (public sector, other services, utilities, construction and information and communication) by up to 7 percentage points.

4.19 In particular, the significant levels of improvement forecast for transport and storage and business and finance, help to compensate for the deterioration in other sectors resulting in overall productivity levels of East Devon remaining relatively static. Transport and storage 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**
Public sector	31,614	103%	33,145	100%	34,830	99%
Transport & storage	36,294	96%	43,250	107%	45,816	110%
Other services	25,103	96%	26,806	95%	28,406	95%
Accommodation & food	17,879	95%	19,410	94%	20,281	96%
Utilities	95,400	87%	97,800	92%	84,667	80%
Distribution, hospitality	25,847	86%	27,822	87%	29,529	88%
Construction	36,482	85%	38,675	85%	40,184	84%
Agriculture	17,100	84%	19,316	88%	21,105	88%
Manufacturing	42,613	81%	51,467	82%	58,828	82%
East Devon Total	**30,738**	**80%**	**33,986**	**80%**	**36,356**	**80%**
Business & finance	33,219	68%	38,610	71%	43,823	73%
Info. & comms.	41,929	68%	45,235	65%	50,000	64%
South West	**33,934**	**89%**	**37,504**	**89%**	**40,734**	**89%**
*Mining excluded because employment=0 Source: Cambridge Econometrics LEFM						

Sectoral Profile

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

5 What are the Implications for East Devon?

Key Strengths

A Well Connected District with an Attractive Residential Offer

5.1 East Devon is one of the best connected districts in the county and benefits from its close proximity to Exeter and the presence of Exeter International Airport which offers domestic and international flights and supports 2,000 jobs locally. In addition, the mixed urban-rural offer and the attractive natural environment contribute to its popularity and role as Devon's largest population centre, particularly amongst retirees. The scale of the population generates spending power within the local economy, and creates demand for local services.

An Established Business Base, supported by High Levels of Enterprise

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

Strong Growth Prospects

5.3 The growth projections for East Devon are very positive, with the district forecast to experience the highest proportionate increase in employment and the third highest increase in real value added. While the employment increase is heavily concentrated in the construction sector, a range of opportunities will be created across the majority of sectors, generating additional local job opportunities. Further, they do not take account of the full impact of the Exeter and East Devon Growth Point, which will lead to a greater diversity amongst the new job roles and the district's economy more widely.

Making the Most of Growth Point Opportunities

5.4 Growth Point Funding is a significant opportunity for East Devon. The scale of the resource is considerable and provides opportunities to generate thousands of jobs to boost the local economy. Ensuring the conditions are created to take full advantage of this opportunity will be key, including providing deliverable sites, a construction workforce of sufficient scale and working to secure occupiers in the medium terms. Delivery of the Growth Point initiates has the potential to increase overall employment numbers and support the diversification of the economic base, create new communities, and deliver environmental benefits.

Key Challenges

Attracting and Retaining Working Age Residents

5.5 Despite being the largest population centre in the county, East Devon has a very small working age population. Currently, just 56% of the district's population are of working age compared to 64% nationally, and with forecasts for the population to age, this issue will increase in importance. This places an imperative upon attracting and retaining working age residents, based on the area's attractive residential offer, including the new communities that are being created through the Growth Point. Expanding the employment base and offer will also help to attract younger residents that wish to live near to their place of work.

Increasing Local Employment opportunities and Reducing Dependence on Surrounding Economies

5.6 Despite being the second largest employment base in Devon, the number of employment opportunities is lower than would be expected for an economy of this size. The low number of jobs available relative to the size of the working age population and the areas strong links to surrounding economy, contributes to high levels of out-commuting, particularly to Exeter. Whilst this trend ensures that residents have access to a wider range of employment opportunities, it means that the performance of the East Devon economy is closely tied to the health of neighbouring economies and increases its vulnerability to economic stresses in other areas. Building the local employment base, including through employment growth forecast in the area, will help reduce this challenge.

Increasing the Quality of Local Employment Opportunities

5.7 Despite East Devon having the highest concentration of highly skilled occupations in the county and being one of only two districts which exceeds the national average on this indicator, this does not translate into high wages, with average annual workplace earnings equivalent to just 87% of the national average. This reflects the sectoral profile of the district's employment base, with a high proportion of managers likely to work in sectors which are typically lower paid. A focus on attracting and capturing a larger share of growth in higher value sectors is therefore a priority. This also needs to be supported by initiatives to ensure that the working age population of Devon are appropriately skilled to meet the needs of such employers, including increasing the proportion of people with higher level skills at NVQ L4+.

Closing the Productivity Gap

5.8 At present, East Devon has the third lowest productivity levels in Devon with real value added per employee equivalent to just 80% of the national average. Despite positive growth forecasts, the relative levels of productivity are forecast to remain static and this under-performance will continue. While the realisation of Growth Point opportunities may help to ameliorate this, other active measures are required to increase productivity levels of the existing workforce.

Annex 1: Summary Table Data Sources

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