

THE TORBAY ECONOMY

MARCH 2007



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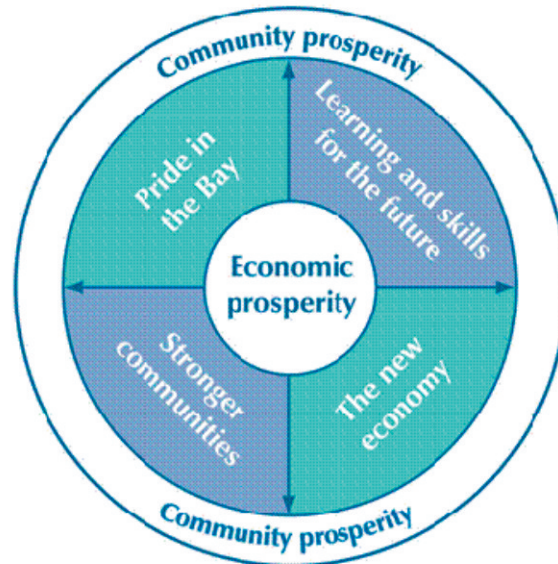
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TORBAY'S ECONOMY

SUMMARY:

The economic prosperity of Torbay is the main drive and is also at the heart of the new community plan. The focus on economic prosperity is to deliver community prosperity through four themed areas – the model is shown in figure 1.

Figure 1:



Torbay's economy was worth in the region of £1,400 million in 2004, up 5.5% on 2003. However since 1995; the economy has stalled and is in a real danger of stagnating. As a coastal area, Torbay derives significant economic activity in the tourism sector. Geographically, Torbay suffers from peripherality and with the current supporting infrastructure arguably having a negative affect on the performance of the local economy, Torbay has the lowest performing economy in the United Kingdom* and with significant losses in the manufacturing sector the outlook for the economy is somewhat grim; that is, should the status quo continue.

- Almost a quarter (23.5%) of the working age population is economically inactive (21.8% nationally).
- Torbay has a relatively low skills base, with only 13.5% of residents aged 16 to 74 having a degree/HND or higher compared to 19.8% nationally.
- Torbay's headline GVA for 2004 per head is the 3rd lowest in England.
- JSA claimant levels in Torbay are the highest in the region, and higher than the national average.
- Earnings in Torbay are 78.5% that of the national (gross median annual pay for all employees).
- The rate of CCJ's per '000 resident population is well above the national.

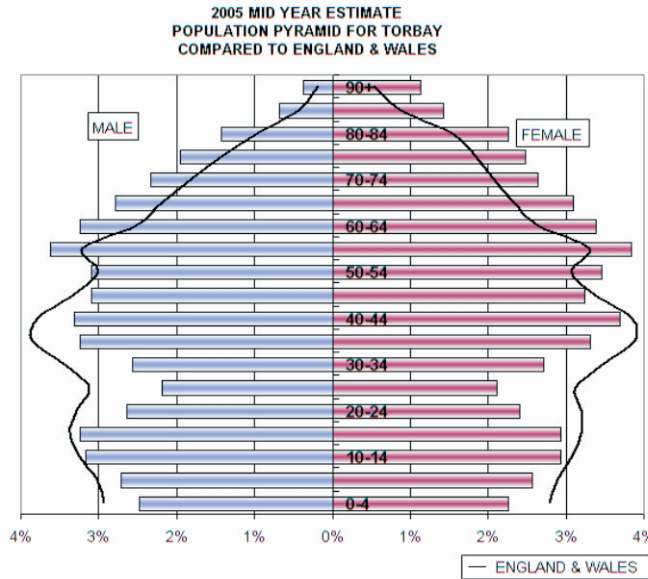
* based on the gross value added (GVA) £ per head for the 182 nomenclature of units for territorial statistics (NUTS).

Further information on GVA is available on page 14

TORBAY POPULATION OVERVIEW:

The area of Torbay is made up of three coastal towns and is also known as the English Riviera. As a coastal area, Torbay is a popular retirement destination with an older person bias in the population. The older person bias leaves a distinct gap in the younger working age population; the 2005 Mid Year Estimate for Torbay gives an overall population of 132,800; the population structure is shown in the figure 2. The older person bias is very clear to see when compared to the national average.

Figure 2:



Source: Office for National Statistics, 2005 Mid Year Estimate

We know the current population structure, but what can we expect in the future? The latest population projections show the population, both locally and nationally, to be an ageing one with over half the Torbay population projected to be aged 50 and over within the next 20 years; but crucially what impact will an ageing population have on the working age population in the forthcoming years?

The projections also show that the overall proportion of the resident population of working age is expected to decrease. This could potentially place greater demand on the working age population to fund future services. Despite the decreasing proportion, the overall number of working age residents is projected to increase.

There is a wide social gap in Torbay, with residents at either end of the social scale, from the very affluent to the very disadvantaged. Torbay has pockets of severe deprivation with over a quarter of the resident population living in an area in the top 20% most deprived in England for the rank of employment deprivation.

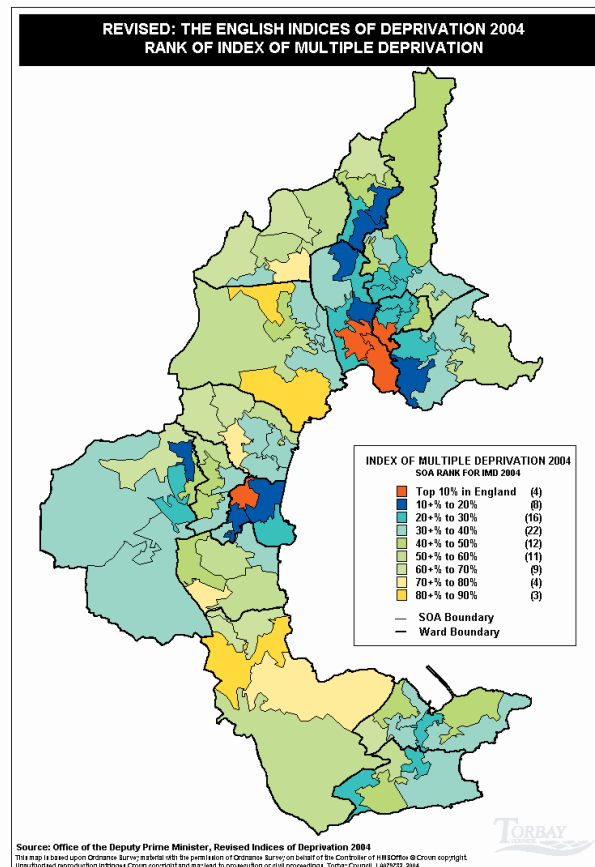
SOCIAL EXCLUSION:

Social exclusion happens when people or places suffer from a series of problems such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime, ill health and family breakdown. When such problems combine they can create a vicious cycle. Social exclusion can happen as a result of problems that face one person in their life. But it can also start from birth, being born into poverty or to parents with low skills still has a major influence on future life chances. The English Indices of Deprivation 2004 (revised) go some way to identifying hotspots of deprivation. The overall ‘Index of Multiple Deprivation’ is a model based on 7 domains covering the aforementioned social exclusion topics.

What was the Office of the Deputy Prime Minister, now the Department for Communities and Local Government published in 2004 a set of deprivation indices that were modelled on comparative social and economic datasets. The index of multiple deprivation is used widely to compare varying areas with associated levels of deprivation / Social Exclusion. Within the index, Torbay has areas of severe deprivation within the top 10% most deprived in England.

The below map illustrates the areas (in red) in the top 10% most deprived in England.

Figure 3:



- Just under 20,000 (14%) of the Torbay resident population live in an area that is within the top 20% most deprived in England for the Index of Multiple Deprivation.
- Torbay is ranked as the 94th most deprived local authority in England (out of 354) for the rank of average score. Just outside the top quartile.

ECONOMICALLY ACTIVE POPULATION:

Just over half the population in Torbay are of working age, this is a lower than national proportion and also, the proportion of the working age population that are economically active is lower in Torbay than both the regional and national figures.

Table 1:

Economic Activity	Torbay	South West	England & Wales
ALL PEOPLE			
All people*	132,800	-	-
Working Age**	73,200	55.0	60.5
% of working age Economically Active	56,000	76.5	78.2
In employment	53,200	72.7	74.2
Employees	44,200	60.4	64.4
Self-Employed	8,700	11.9	9.4
Unemployed	2,800	5.0	5.1
Working Full-time	37,100	69.7	75.9
Working Part-time	16,100	30.3	24.0
% of working age Economically Inactive	17,200	23.5	21.8
Wanting a job	6,300	8.6	5.3
Not wanting a job	10,900	14.9	16.5

Source: NOMIS – Annual Population Survey (April 2005 – March 2006)

Notes:

* Population based on 2005 mid year estimates

** Population taken from the annual population survey

Worklessness in Torbay is perceived to be a real problem with almost a quarter of the working age population classified as economically inactive. However, figures from the annual population survey show that despite a large proportion of economically inactive residents, a higher than national proportion do want a job and thus the proportion of working age residents who are economically inactive and not wanting a job is more or less inline with the regional figure and slightly below the national.

Worklessness includes those who are 'economically inactive'. The economically inactive are 'people of working age who are not working, are not in full-time education or training and are not actively seeking work'. Many are outside the labour market voluntarily - because of family responsibilities or early retirement for example. But the evidence is that many others want a job and would work if they had the right opportunity, incentive or path back into employment.

SKILLS BASE:

Torbay has historically suffered from ‘brain drain’, which is to say that due to low earnings in the area, students who attend university rarely return to the area. And thus there is a deficit of people with higher level qualifications. With out a skilled workforce, Torbay may struggle to attract industry that allows a higher value to be added.

The following qualification levels are taken from the 2001 census for the resident population aged 16 to 74.

Table 2:

Qualifications	Torbay	South West	England & Wales
No Qualifications	30.5%	26.2%	29.1%
Level 1	19.3%	17.7%	16.6%
Level 2	21.3%	21.4%	19.4%
Level 3	6.8%	8.6%	8.3%
Level 4/5	13.5%	18.8%	19.8%
Other	8.5%	7.2%	6.9%

Source: ONS 2001 Census, Table ST105

Notes: The highest level of qualification variable uses both the educational and vocational qualifications question, and the professional qualifications question.

No qualifications: No academic, vocational or professional qualifications.

Level 1: 1+ ‘0’ levels/CSE/GCSE (any grade), NVQ level 1, foundation GNVQ

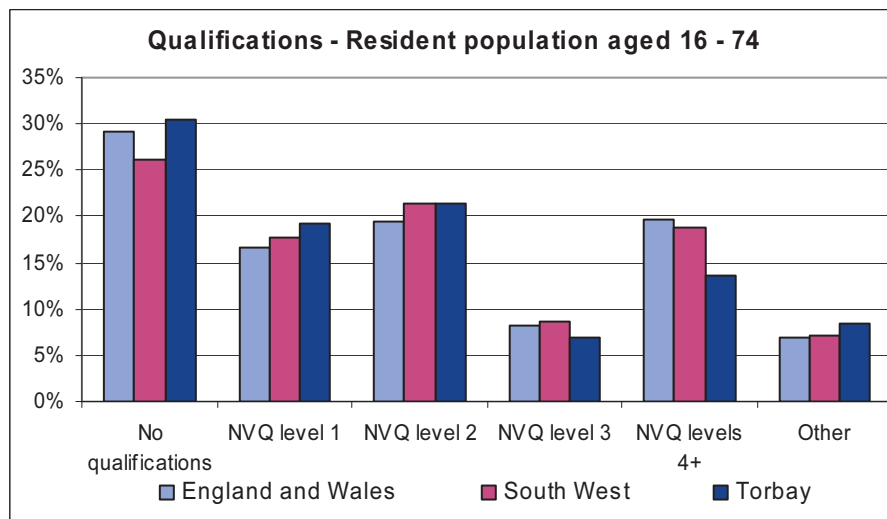
Level 2: 5+ ‘0’ levels, 5+ CSEs (grade 1), 5+ GCSEs (grade A to C), School Certificate, 1+ A levels/AS levels, NVQ level 2, Intermediate GNVQ or equivalents.

Level 3: 2+ A levels, 4+ AS levels, Higher School Certificate, NVQ level 3, Advanced GNVQ or equivalents.

Level 4/5: First Degree, Higher Degree, NVQ levels 4-5, HND, HND, Qualified Teacher Status, Qualified Medical Doctor, Qualified Dentist, Qualified Nurse, Midwife, Health Visitor or equivalents.

Other: Other qualifications (eg City and Guilds, RSA/OCR, BTECH/Edexcel), other professional qualifications.

Figure 4:



Source: ONS 2001 Census, Table ST105

STANDARD OCCUPATION CLASSIFICATION:

The resident working age population in Torbay has seen a marked increase in the proportion of managers and senior officials since 2001. However around a quarter of the managers and senior officials work outside Torbay and consequently this could have an impact on the value added figures, as although these people reside in Torbay their earnings are accounted in another authority area. 1,300 more people leave the bay to work than enter the bay, with almost 900 more skilled trade occupations leaving than entering – 2001 census.

From the 2001 census we can see in table 3 the standard occupation classification for Torbay, with a similar to national level of managers and senior officials.

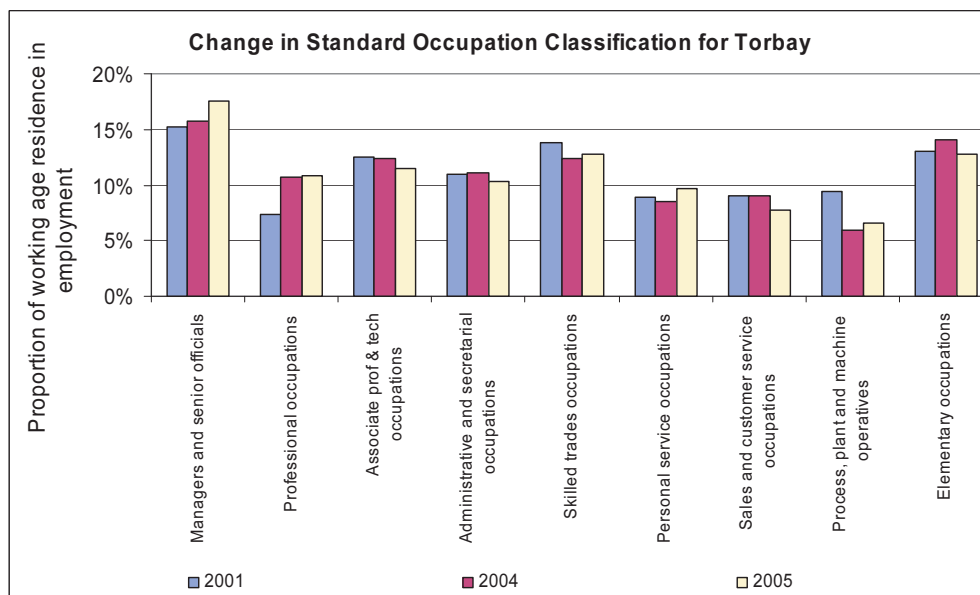
Table 3:

Occupation group	Torbay	South West	England & Wales
Managers and senior officials	15.2	14.6	15.1
Professional occupations	7.3	10.3	11.2
Associate professional and technical occupations	12.5	13.6	13.8
Administrative and secretarial occupations	11.0	12.8	13.3
Skilled trades occupations	13.8	13.3	11.6
Personal service occupations	8.9	7.2	6.9
Sales and customer service occupations	9.0	8.1	7.7
Process; plant and machine operatives	9.4	8.1	8.5
Elementary occupations	13.0	12.2	11.9

Source: Office for National Statistics, 2001 Census.

The annual population survey shows that both the managers and senior officials and professional occupations have increased since 2001. There is a noticeable drop in the proportion of process, plant and machine operatives since 2001.

Figure 5:

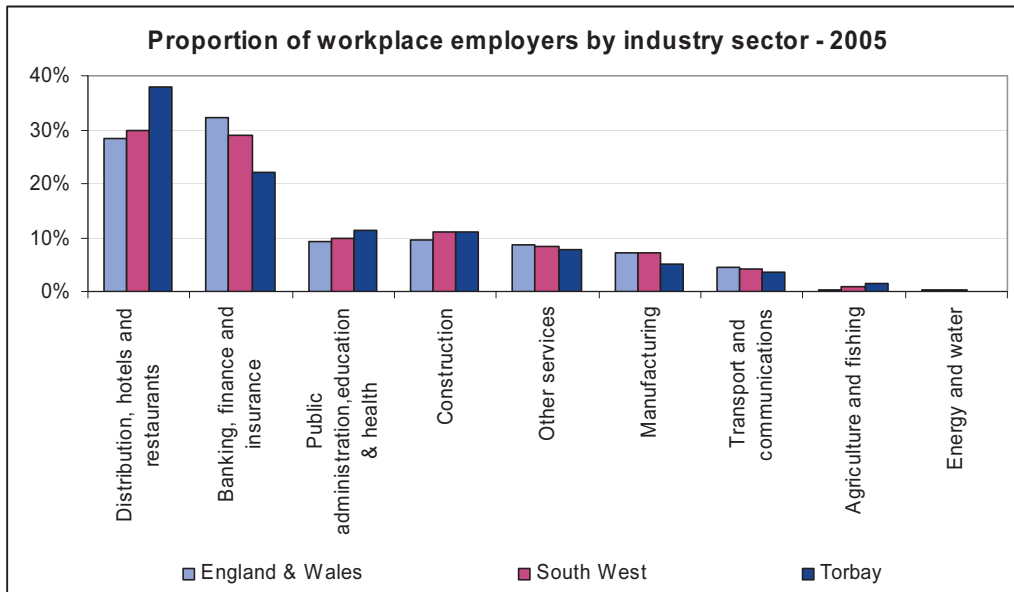


Source: 2001 Census, Office for National Statistics. NOMIS Annual Population Survey

STANDARD INDUSTRIAL CLASSIFICATION:

The industrial make up for Torbay has a high prevalence of distribution, hotels and restaurants; this is in line with Torbay being a premier tourist destination. Well over a third of workplace employers in the bay are classified in the aforementioned standard industrial classification. The dependence on this sector compared to the regional and national makeup is clear to see in figure 6 below.

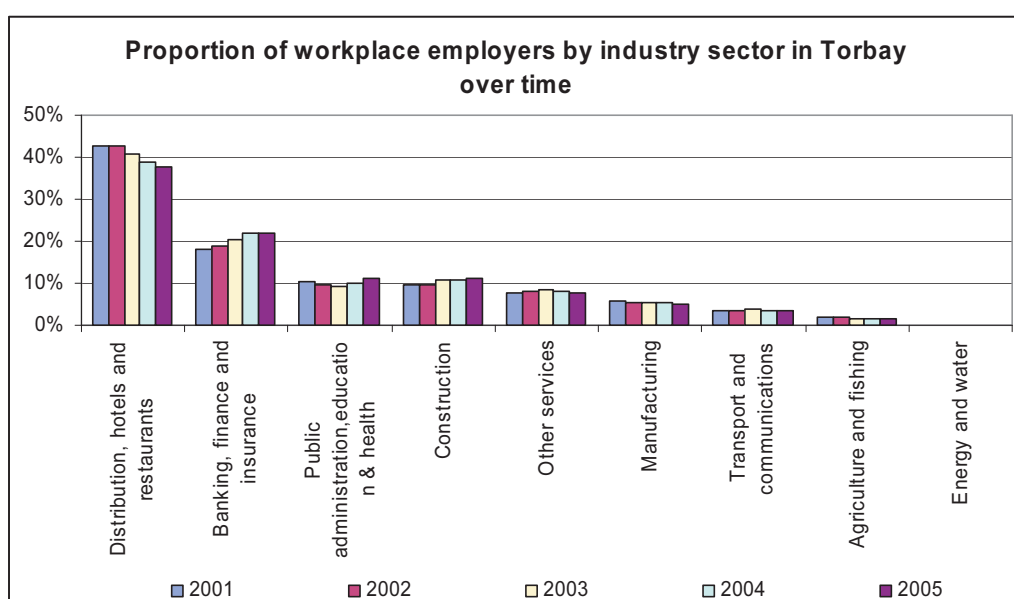
Figure 6:



Source: NOMIS – 2005 Annual Business Inquiry.

Despite the dependence in the tourism sector, the market share for distribution, hotels and restaurants has decreased in recent years, from 42.6% in 2001 down to 37.8% in 2005. This in part reflects an increase in the banking, financial and insurance sector – there have also been subtle increases in public administration education and health along with the construction sector. This change over time is shown in figure 7:

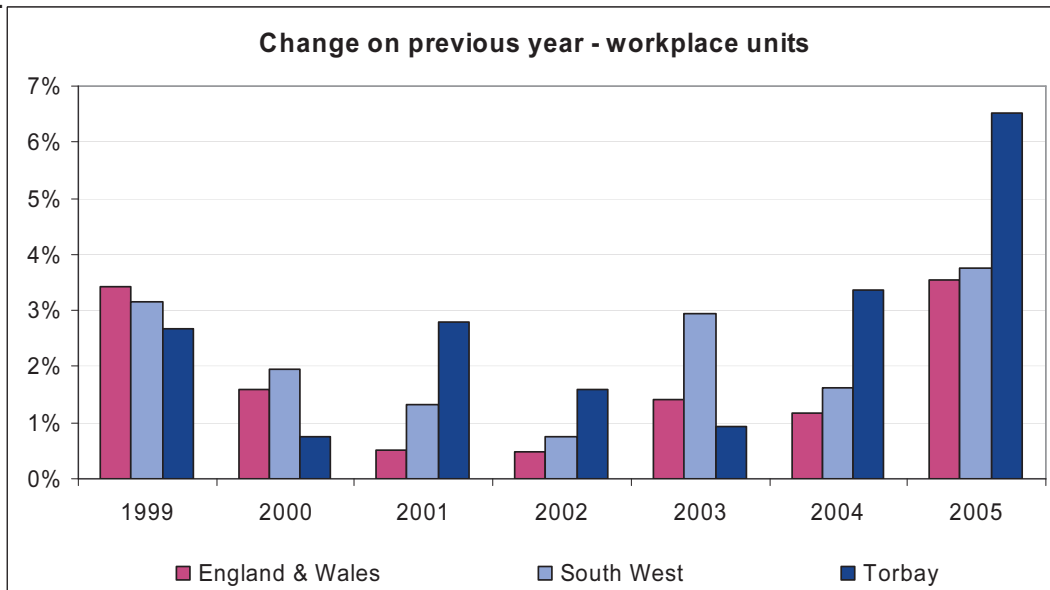
Figure 7:



Source: NOMIS – 2005 Annual Business Inquiry.

There has been a modest increase in the number of workplace units in Torbay, an increase of 20.0% from 4,209 in 1998 to 5,050 in 2005. This compares to 12.7% nationally and 16.5% regionally. The year on year change in workplace units for Torbay, the South West and England & Wales can be viewed in figure 8 it is interesting to see that Torbay’s change on previous year has increased well above regional and national increases in 2004 and continued the growth in 2005.

Figure 8:



Source: NOMIS – 2005 Annual Business Inquiry.

The figures for the workplace data units and the employee numbers are shown in table 4, the noticeable growth in workplace units between 1998 and 2005 is clear to see. In contrast, the change of employees in employment in Torbay has increased over the same period, albeit the change has been a more turbulent increase than the progressive workplace units.

It is interesting to derive an average number of employees per work place unit using the available data; this gives an indication that the Torbay workplace may not be able to support larger workforces when compared to national or regional averages. The overall trend for Torbay is a noticeably negative one. i.e. the trend is one of decline. This decline is replicated both nationally and regionally, although the rate of decline is less pronounced than for Torbay.

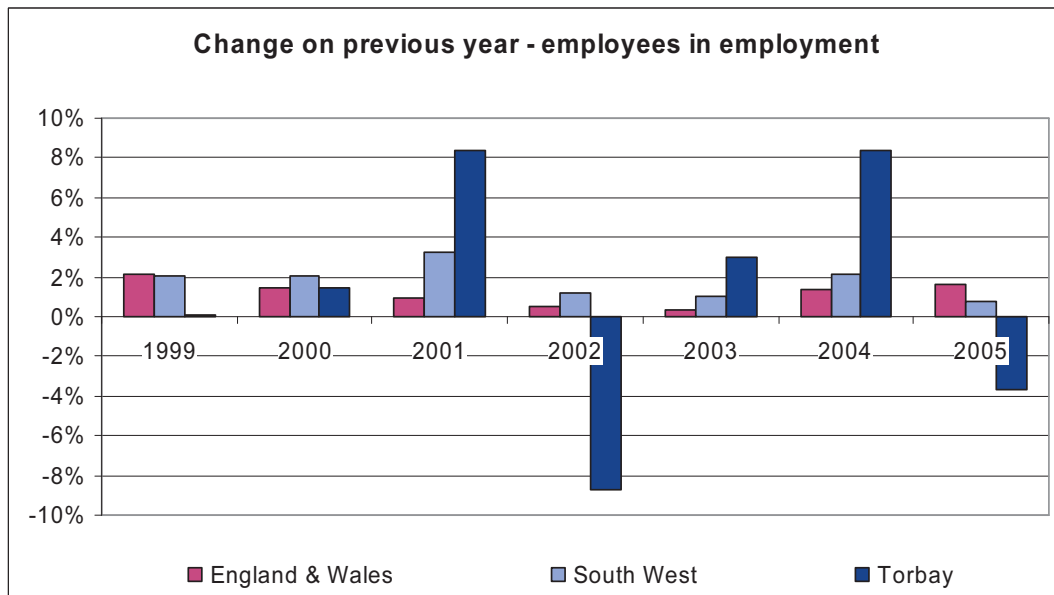
Table 4:

Year	Torbay		Average number of employees per work place unit		
	Workplace units	Employees	Torbay	South West	England & Wales
1998	4,209	43,811	10.41	10.72	11.69
1999	4,321	43,830	10.14	10.60	11.54
2000	4,353	44,461	10.21	10.61	11.52
2001	4,474	48,178	10.77	10.82	11.56
2002	4,545	43,961	9.67	10.87	11.57
2003	4,587	45,282	9.87	10.67	11.45
2004	4,741	49,063	10.35	10.72	11.48
2005	5,050	47,266	9.36	10.41	11.26

Source: NOMIS – 2005 Annual Business Inquiry.

The number of employees in employment in Torbay has experienced noticeable fluctuations in recent years, and could be described as having a turbulent time. Although the number of workplace units increased in 2002 compared to 2001, there was a significant drop in the employees in employment. One possible explanation for this could be the closure of Nortel, a technologies manufacturing business in the bay employing several thousand employees. There was a strong recovery in 2004, with the number of employees in employment above that of the number in 2001 – this increase can be seen in the 8% increase in 2004 compared to 2003 shown in figure 9 below. 2005 saw the highest number of workplace units topping 5,000, and yet there was also a decrease in the number of employees in employment on the previous year.

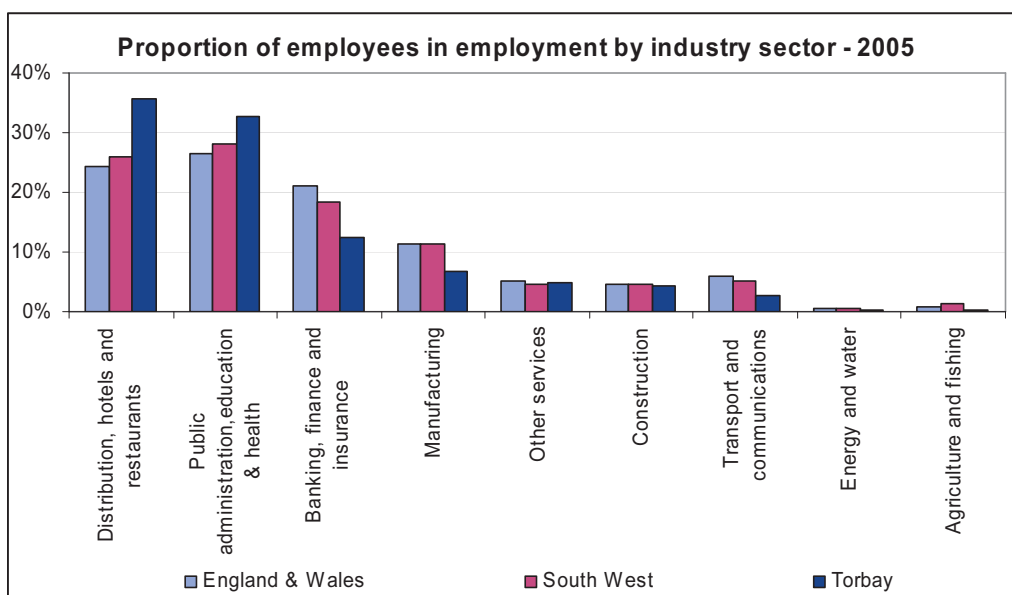
Figure 9:



Source: NOMIS – 2005 Annual Business Inquiry.

Over a third of employees in Torbay are employed in the distribution, hotels and restaurants sector, well above both the regional and national averages, and although just over 11% of workplace employers are categorised as public administration, education and health, a third (32.7%) of employees in Torbay are employed in the sector.

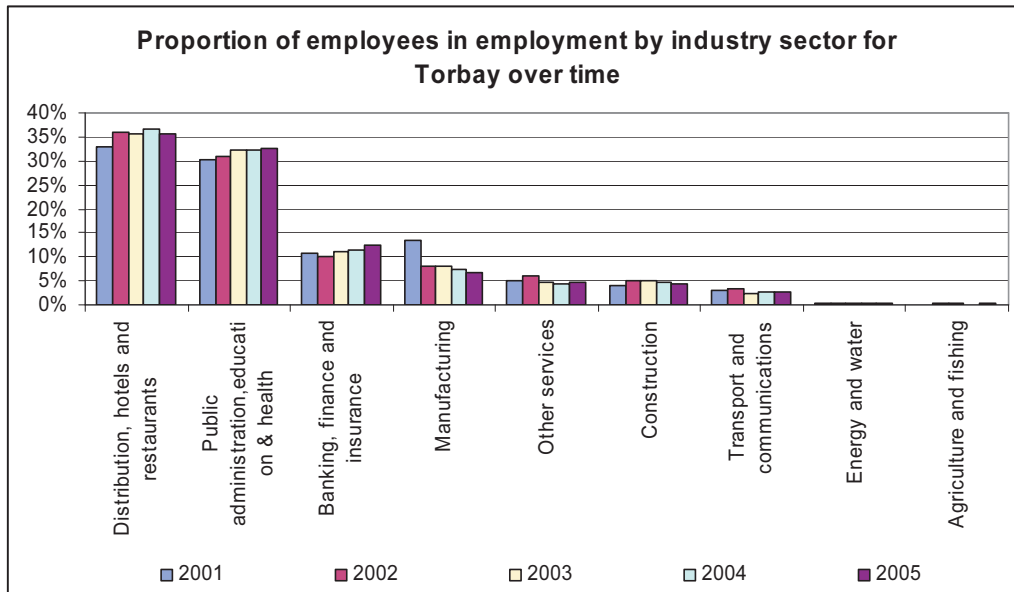
Figure 10:



Source: NOMIS – 2005 Annual Business Inquiry.

Surprisingly, despite banking, finance and insurance constituting the second highest proportion of workplace employers at just over 20%, the proportion of employees working in this sector is just over 10%. The proportion of employees employed in distribution, hotels and restaurants and public administration, education and health have increased in recent years. There is a noticeable decrease in the manufacturing sector following the progressive closure of Nortel from 2001.

Figure 11:



Source: NOMIS – 2005 Annual Business Inquiry.

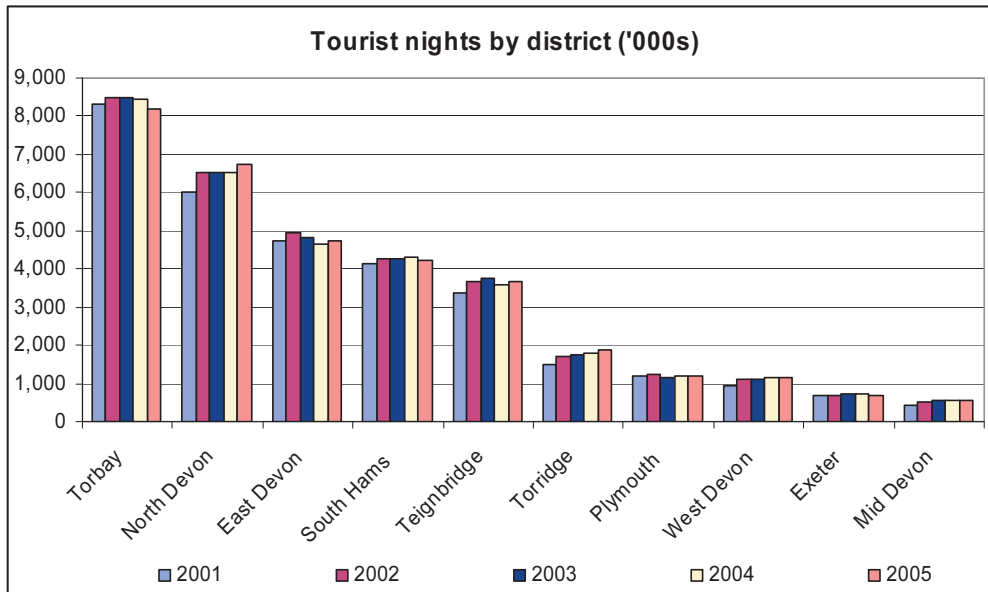
It should be noted that all the 2005 annual business data graphs have been produced with the permission of the Office for National Statistics and are based on the 2003 Standard Industrial Classifications.

TOURISM IN TORBAY:

Torbay’s reputation as the premier tourist destination in Devon continues to hold true and Torbay is also one of the top destinations in the South West region.

In recent years the overall number of tourist nights has decreased from a recent high in 2002 of 8,493,000 down to 8,171,000 in 2005, a drop of 1.9%. The trend over the last five years does show a general decline for Torbay, this compares to a more general increase for Devon as a whole, with North Devon seeing a marked increase in the total number of tourist bed nights.

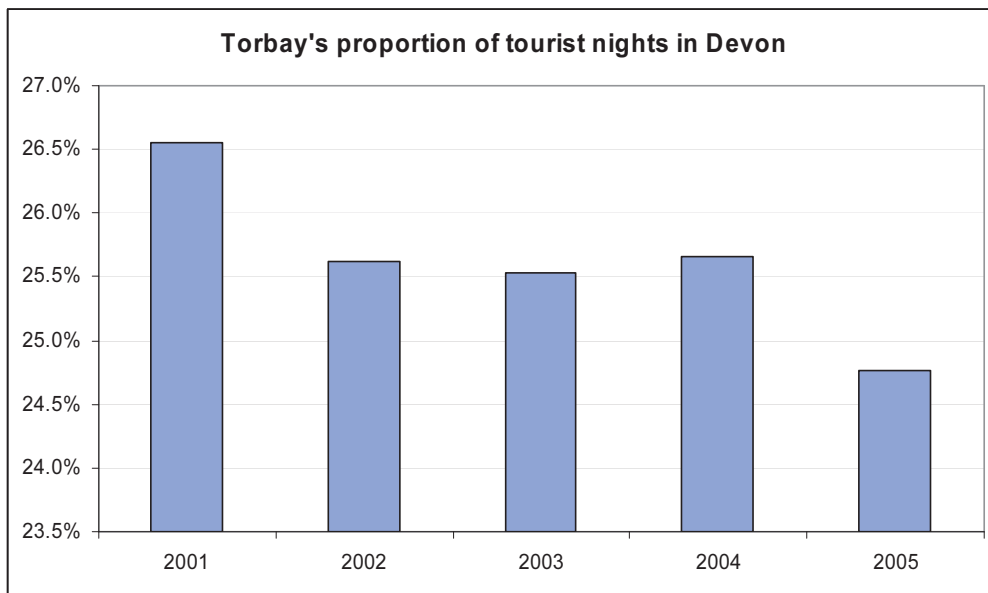
Figure 12:



Source: Devon County Council, Corporate Information Services

Torbay’s market share of tourist nights has dropped in recent years, however Torbay still accounts for around 25% of all bed nights in Devon annually.

Figure 13:



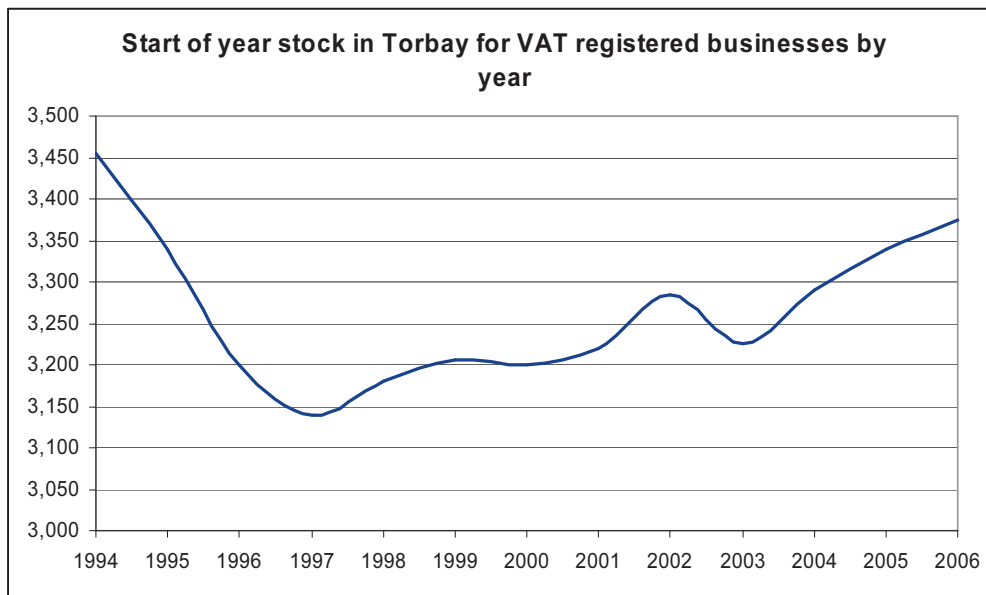
Source: Devon County Council, Corporate Information Services

VAT REGISTERED BUSINESSES:

A business must register for VAT when the value of their taxable supplies exceeds a registration threshold of £61,000. VAT statistics on registrations will not include business start ups below this threshold.

The number of VAT registered businesses in Torbay is increasing gradually following a dip in the late 1990s; levels are not as high as they were but are increasing. There was an increase in the hotels and restaurants classification nationally, and Torbay had a higher than national increase in this area between the start of year stock for 2005 compared to the start of year stock for 2006 details on the industry sector change can be seen in table 5.

Figure 14:



Source: Small Business Service

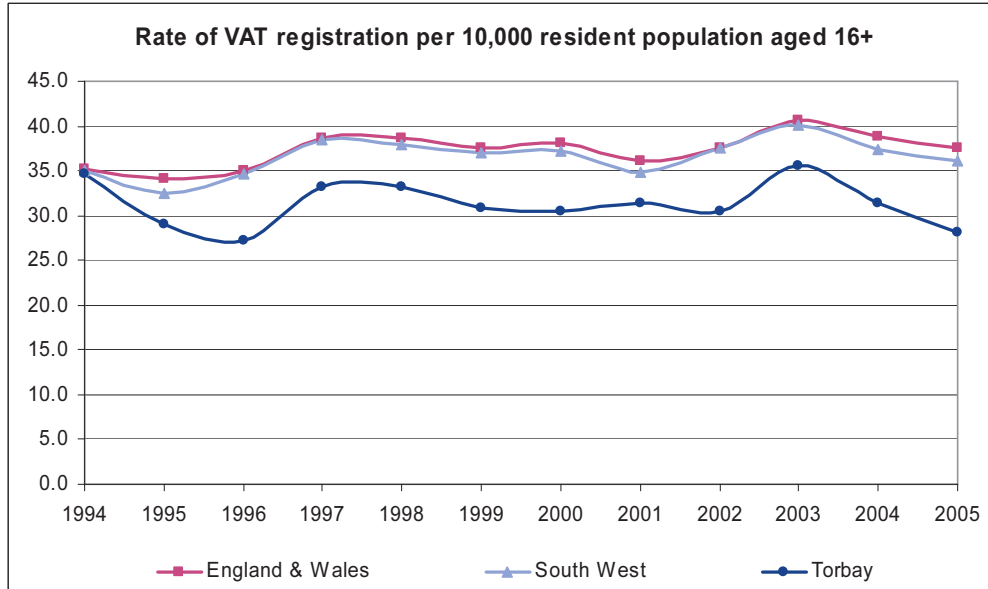
Table 5:

VAT Start of year stock	Torbay		Change		
	2005	2006	England & Wales	South West	Torbay
Agriculture and forestry; Fishing	100	95	-1.5%	-1.8%	-5.0%
Mining and quarrying; Electricity, gas and water supply	0	0	-1.2%	0.0%	0.0%
Manufacturing	230	230	-1.6%	-1.2%	0.0%
Construction	500	515	2.8%	2.6%	3.0%
Wholesale, retail and repairs	865	875	1.2%	1.4%	1.2%
Hotels and restaurants	510	535	3.5%	3.3%	4.9%
Transport, storage and communication	115	120	2.3%	2.2%	4.3%
Financial intermediation	10	10	0.7%	1.4%	0.0%
Real estate, renting and business activities	695	685	2.5%	2.6%	-1.4%
Public administration; Other community, social and personal services	245	240	-0.9%	-1.0%	-2.0%
Education; Health and social work	70	70	2.4%	1.6%	0.0%
Total	3,340	3,375	1.4%	1.3%	1.0%

Source: Small Business Service

The overall rate of VAT registrations per 10,000 residents aged 16 and over in Torbay is lower than the national and regional rates. The rate has however maintained approximately 83% of the national rate over recent years.

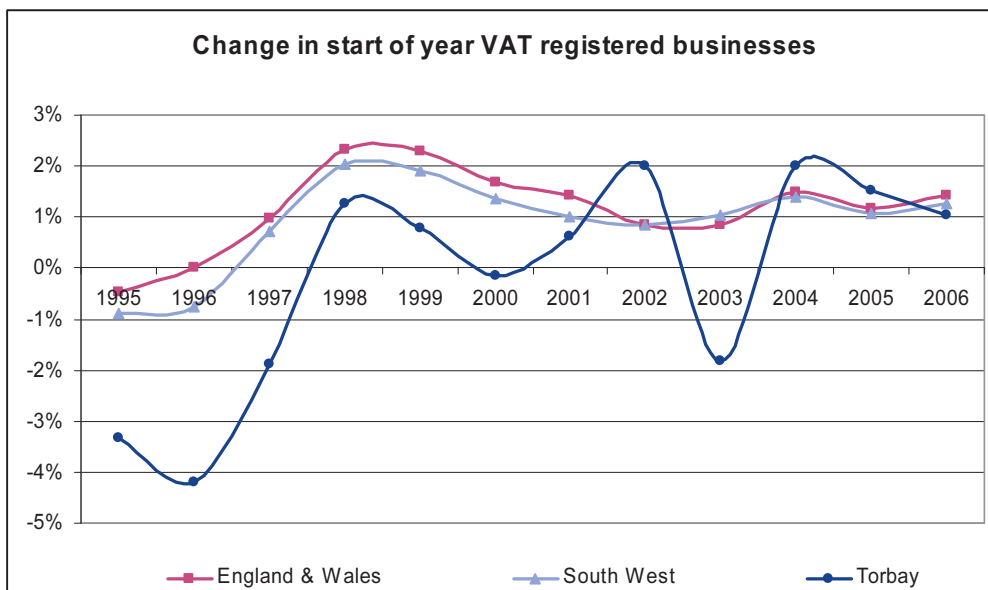
Figure 15:



Source: Small Business Service

The changing start of year registrations both nationally and regionally appears to have stabilised in recent years and is hovering at around 1% continued growth in registrations. Despite the changing pattern in registrations in Torbay, the overall trend is positive i.e. increasing.

Figure 16:



Source: Small Business Service

GROSS VALUE ADDED (GVA):

Gross value added is the difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.

Torbay's economy was worth around £1,400 million in 2004, up 5.5% from £1,327 million in 2003. An increase is obviously good news for Torbay, however the proportionate share of the South West economy is declining steadily from a high of 2.3% in the mid 1990's to 1.7% in 2004.

Official figures show Torbay to be the lowest performing economy in the United Kingdom. Since 1995 the average annual growth has only increased by around 2.1% per year in Torbay compared to 6.5% nationally. The Growth in Torbay from 1995 to 2004 for the headline gross value added at today's prices is the lowest growth in the United Kingdom, at just 18.7% compared to the national figure of 58.1%.

Torbay's 2004 headline £ per head GVA figure is the 3rd lowest in England behind Wirral and the Isle of Wight, and is also the 6th lowest in the United Kingdom.

The below table gives detail on the Headline gross value added (GVA) per head by NUTS3 area at current basic prices 1995 to 2004, with a comparative net change in GVA for the period.

Table 6:

GVA £ per head	1995	2003	2004	1995-04 change
Torbay	£8,895	£10,111	£10,562	18.7%
Cornwall & Isles of Scilly	£6,677	£10,478	£11,094	66.2%
Devon CC	£9,038	£12,744	£13,363	47.9%
Plymouth	£10,030	£13,729	£14,327	42.8%
South West	£9,987	£15,276	£16,141	61.6%
UK	£11,037	£16,549	£17,451	58.1%

Source: Office for National Statistics

The headline GVA £ per head is a derivative of the overall economy per head of total population. In real terms, based at current prices, we can see in table 7 how the Torbay economy has grown 20.6% between 1995 and 2004. This is the actual growth in the economy, and as the population has increased, so the GVA £ per head has increased at a different rate.

Table 7:

Headline GVA - £ (million)	1995	2003	2004	1995-04 change
Torbay	£1,111	£1,327	£1,400	20.6%
Cornwall & Isles of Scilly	£3,207	£5,381	£5,741	44.1%
Devon CC	£6,084	£9,111	£9,684	37.2%
Plymouth	£2,510	£3,315	£3,501	28.3%
South West	£47,755	£76,368	£81,322	41.3%
UK	£640,416	£985,558	£1,044,165	38.7%

Source: Office for National Statistics

The headline¹ gross value added (GVA)^{2,3} by NUTS3 area and 3 industries at current basic prices 1995 to 2004 is shown in table 8. Almost 80% of Torbay's economy derives from service activities.

Table 8:

GVA by 3 industries - 2004	Torbay		South West	England & Wales
	£ million sector worth	Sector share		
Agriculture, hunting and forestry	8	0.6%	1.9%	0.9%
Industry, including energy and construction	281	20.1%	24.1%	22.4%
Service activities ⁵	1,111	79.4%	74.1%	76.7%

Source: Office for National Statistics

¹ The headline GVA series for this publication have been calculated using a five-period moving average.

² Estimates of workplace based GVA allocate income to the region in which commuters work.

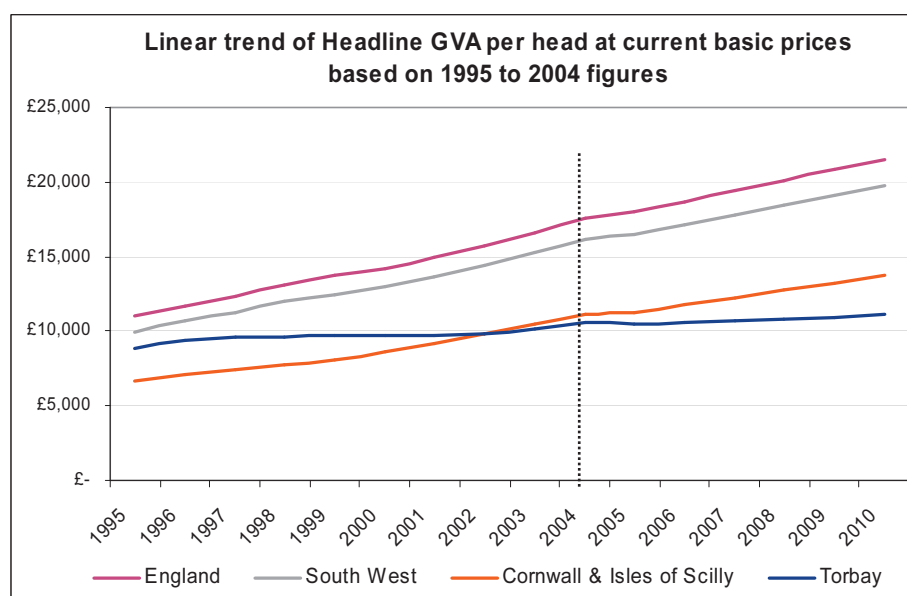
³ Components may not sum to totals due to rounding.

⁴ Including Extra-Regio.

⁵ Including Financial Intermediation Services Indirectly Measured (FISIM).

In 1995 Torbay's GVA was 81% of the England figure, this gap has widened to 60% of the England figure for 2004 and based on the linear trend below, Torbay's GVA figure will only be 52% of the England figure in 2010. Based on the 2004 figures, and assuming a continued linear trend, it is clear to see that the gap with Torbay and the rest of the country will only widen

Figure 17:



Source: Office for National Statistics

NOTES: NUTS were created by the European Office for Statistics (Eurostat) as a single hierarchical classification of spatial units used for statistical production across the European Union. At the top of the hierarchy are the individual member states of the EU: below that are levels 1 to 3,

Table 9:

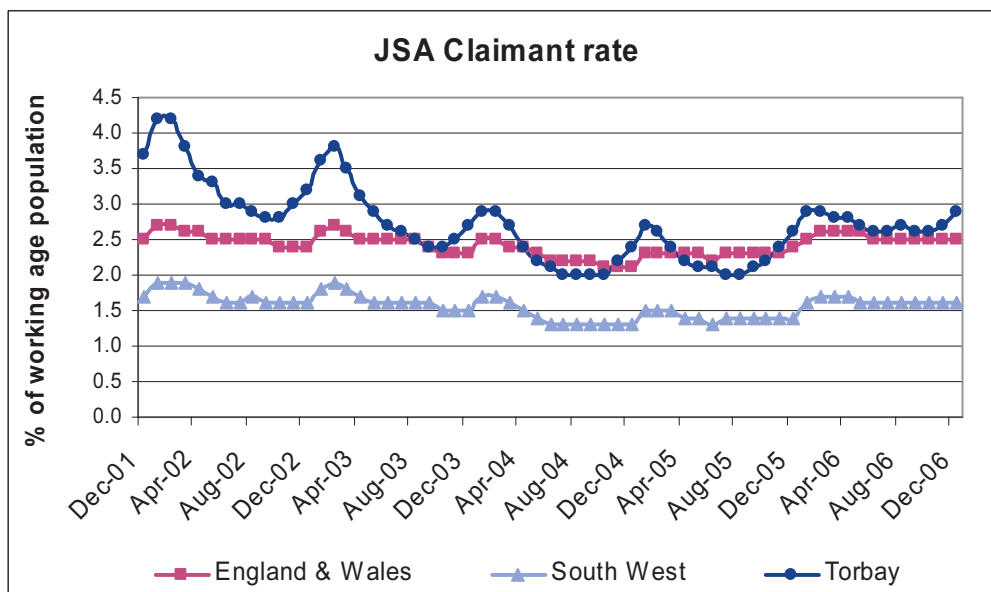
NUTS level	England	Scotland	Wales	Northern Ireland	Total in UK
1	Government Office Regions (GORs)	Scotland	Wales	Northern Ireland	12
2	Counties/groups of counties	Combinations of council areas, LECs and parts thereof	Groups of unitary authorities	Northern Ireland	37
3	Counties / groups of unitary authorities	Combinations of council areas, LECs and parts thereof	Groups of unitary authorities	Groups of district council areas	133

BENEFITS:

Torbay does suffer from a sub economy of benefit claimants, that is to say a higher than national level of claimant levels. The proportion of job seekers allowance (JSA) claimants in the bay has, in recent years, had a distinct seasonal trend, and with a tourism bias in the economy, this is relatively unsurprising. In 2006 the seasonality was less pronounced and the summer low in claimant levels was as high as it was back for the summer of 2002.

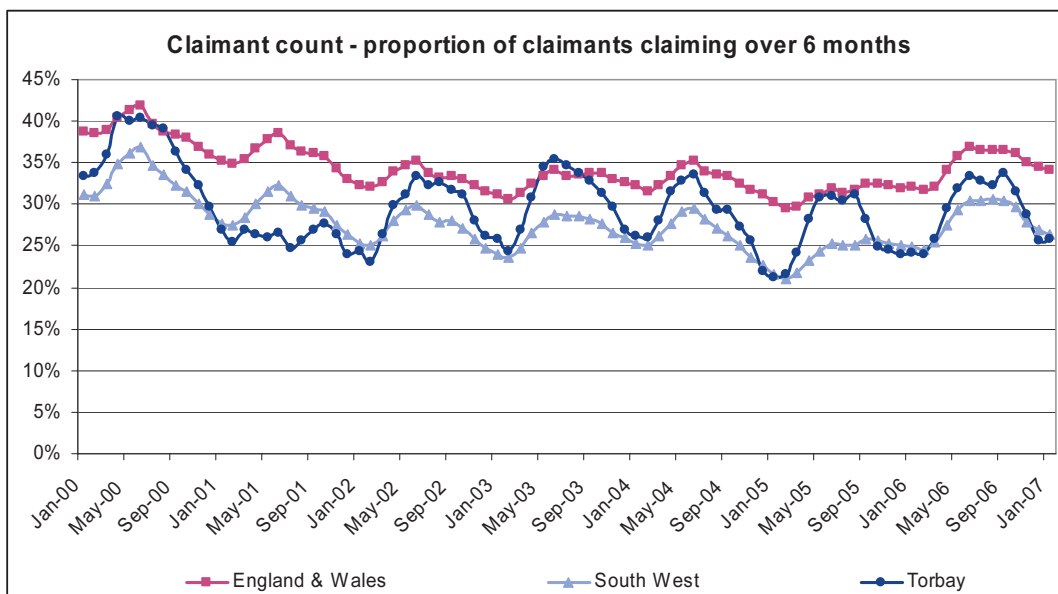
Torbay often has a higher than national claimant level and frequently has the highest rate in the South West region. Figures for January 2007 show that 3.1% of the working age population claimed JSA in Torbay. The claimant rate is based on the resident working age population in that area. Working age is defined as 16-64 for males and 16-59 for females. The working age population figures are derived from mid-year population estimates which are compatible with the 2001 Census.

Figure 18:



Source: Nomis

Figure 19:



Source: Nomis

Along with the more reactive level of JSA claimant levels changing on a monthly basis, the proportion of claimants who claim for 6 months and over also has a noticeable pattern. From figure 19, we can see that the levels peak in the summer months and that the lows are in the winter months. This may be due to the shorter term claimants finding employment and thus changing the claimant level.

There are further benefit issues in Torbay along with seasonal employment. Table 10 gives details on the level of claimants as a proportion of the relative population.

Table 10:

Claimant levels – August 2006	Torbay		South West	England & Wales
	Count	%	%	%
Disability Living Allowance	8,075	6.2%	4.1%	4.8%
Incapacity Benefit / Severe Disablement Allowance	7,760	10.1%	6.4%	7.2%
Income Support	5,740	8.3%	5.0%	6.2%
Job Seekers Allowance	1,885	2.6%	1.7%	2.6%
Pension Credit	9,170	24.8%	19.2%	22.5%
State Pension	32,570	87.9%	91.7%	89.3%
Housing Benefit (Households)	10,200	18.2%	13.5%	16.0%
Council Tax Benefit (Households)	14,400	25.7%	17.4%	20.4%

Source: Department for Work and Pensions, Nomis

The figures in table 10 show the level of incapacity benefit and severe disablement allowance to be high compared to the regional and national levels.

Job Seekers Allowance (JSA) is a benefit paid to persons of working age whom are capable and able to work and actively seeking employment.

Incapacity Benefit / Severe Disablement Allowance (IB / SDA) Incapacity Benefit replaced Sickness Benefit and Invalidity Benefit from 13 April 1995. It is paid to people who are assessed as being incapable of work and who meet certain contribution conditions. Incapacity Benefit will be paid at the short-term rate for people over pension age for up to a year from the date of claim, but only if the incapacity began before they reached pension age. Severe Disablement Allowance is a benefit which was abolished for new claims in April 2001. However, many people continue to receive it.

Income Support (IS) is a benefit paid to people who are not in full time work, whose income falls below a prescribed level, and who meet certain conditions.

Council Tax & Housing Benefit Housing Benefit provides help with paying rent and Council Tax Benefit provides help with your council tax, if you are on a low income.

Pension Credit is paid to persons aged 60 and over to top their weekly income to a minimum of £114.05 per week for single applicants and £147.05 per week for joint.

State Pension The basic State Pension is a government-administered pension, based on the number of qualifying years gained through National Insurance contributions (NICs) you've paid, are treated as having paid or have been credited with throughout your working life.

EARNINGS:

Wage levels in Torbay are noticeably lower than both the national and regional levels. The good news is that the gap is decreasing. Current levels in Torbay are still lower than now than the national levels were back in 2001.

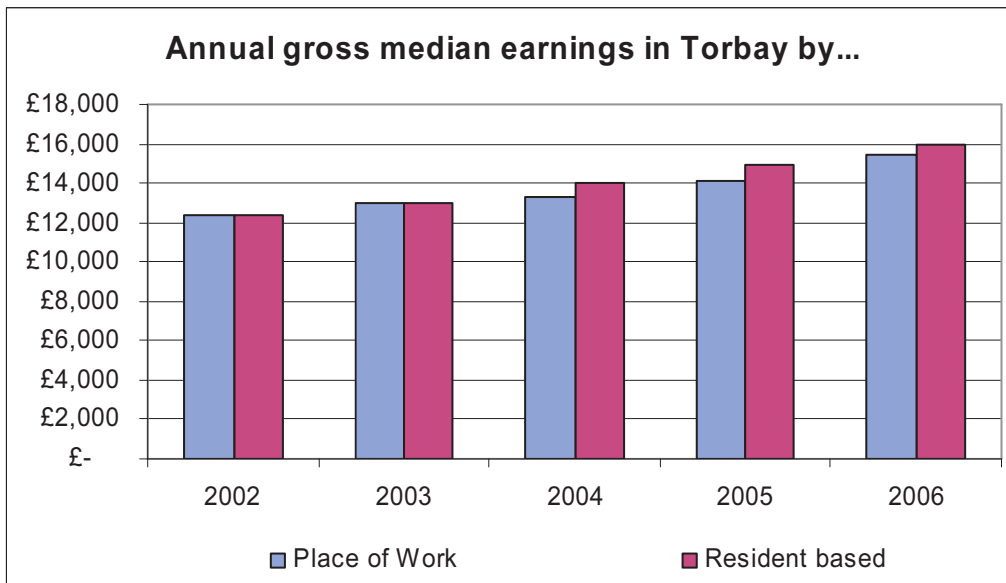
Figure 20:



Source: Annual Survey of Hours and Earnings, Office for National Statistics

There is a slight differential in the earnings for Torbay, the annual survey of hours and earnings reports both a workplace based earnings and resident based earnings datasets. There is a net loss of employees in the workforce for Torbay, i.e. more people travel out of the bay to work than travel in. as a consequence the earnings that best represent the economy of Torbay may be the place of work earnings. The differences between these two datasets are shown in figure 21 below.

Figure 21:



Source: Annual Survey of Hours and Earnings, Office for National Statistics

With Torbay’s economically active population having a higher prevalence of part time employees and self employed, combined with the variance in seasonal employment associated with the seasonality of the tourism sector (although the length of the season is increasing) we would expect Torbay to have lower earnings levels. Table 11 gives the full breakdown of gross pay for all employees in employment by place of work.

Table 11:

2006 ASHE	Hourly		Weekly		Annual	
	Mean	Median	Mean	Median	Mean	Median
England & Wales	£13.13	£10.00	£445.90	£367.20	£24,710	£19,674
South West	£11.92	£9.32	£398.00	£339.70	£21,658	£18,243
Torbay	£10.31	£7.83	£329.00	£287.80	£17,929	£15,446

Source: Annual Survey of Hours and Earnings, Office for National Statistics

There is a difference in the gender pay gap, but with a higher rate of females working part time, it is to be expected. It is interesting to note that the overall female gross annual median pay is 87.5% that of the national figure, where as the male equivalent is 80.0% of the national.

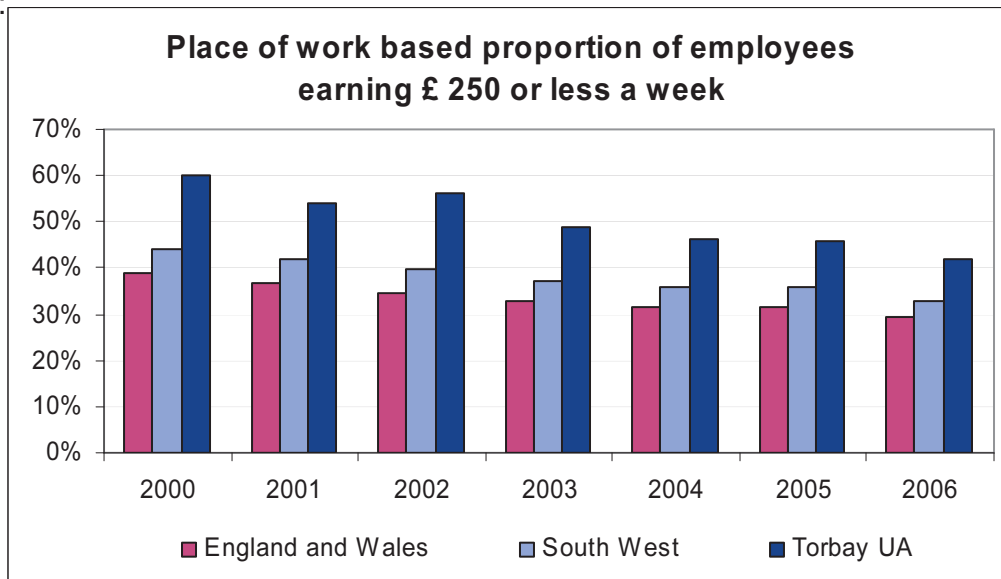
Table 12:

Annual pay - Gross (£) - For :	All employee jobs	Male employee jobs	Female employee jobs	Full-time employee jobs	Part-time employee jobs
Description	Median	Median	Median	Median	Median
England & Wales	£19,674	£24,667	£14,607	£23,783	£7,500
South West	£18,243	£23,131	£13,557	£22,042	£7,464
Torbay	£15,446	£19,732	£12,781	£19,410	£7,282
Torbay proportion of England & Wales	78.5%	80.0%	87.5%	81.6%	97.1%

Source: Annual Survey of Hours and Earnings, Office for National Statistics

A significant factor for social exclusion is income deprivation; over 40% of employees working in Torbay currently earn less than £250 per week. This is better than the 60% earning less than £250 back in 2000. However the 2006 figure for Torbay is still higher than the national figure was back in 2001.

Figure 22:



Source: Annual Survey of Hours and Earnings, Office for National Statistics. Consultation and Research Team, Torbay Council.

HOUSE PRICES:

Property prices in Torbay have risen significantly in recent years, pretty much in line with the national property boom. The overall average residential property price in Torbay was £185,862 in the last quarter of 2006; 90% of the national average figure.

Table 13 gives the full detail of the latest property prices in Torbay by tenure compared to the regional and national averages.

Table 13:

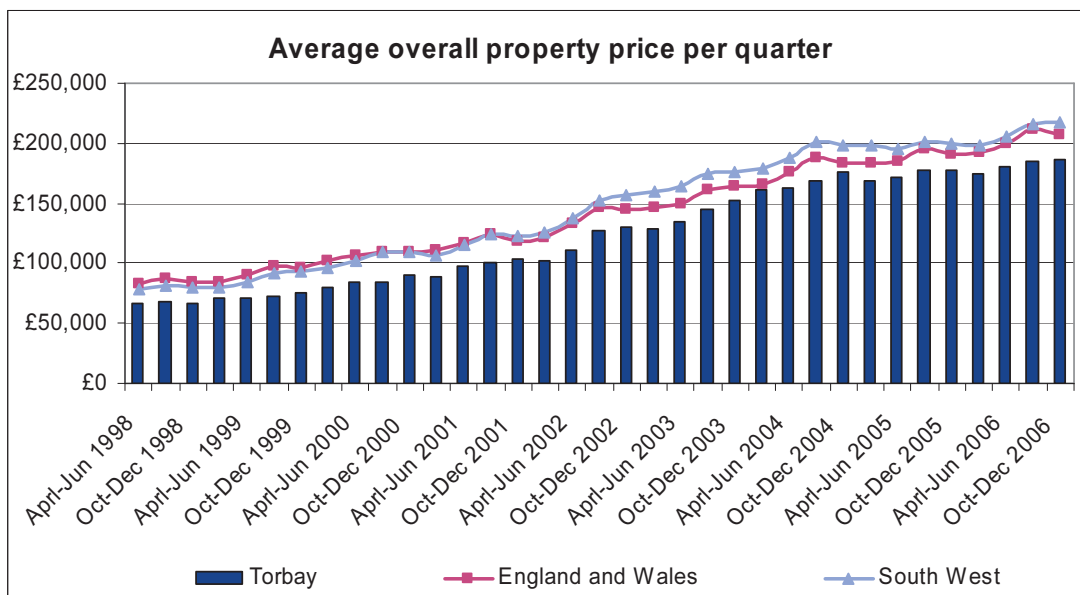
Oct- Dec 2006	Average price				
Region/Area	Detached	Semi-Detached	Terraced	Flat/Maiso nette	Overall
England & Wales	£313,144	£187,717	£163,749	£189,695	£207,573
South West	£318,152	£197,795	£174,658	£156,313	£216,999
Torbay	£276,307	£190,227	£159,747	£133,401	£185,862

Source: HM Land Registry Office

Is Torbay becoming a more popular place to live? In 1998, residential property prices in Torbay were around 80% of the national, and have been increasing since, prices are now at 90%.

Figure 23 shows the quarterly overall residential property price from the second quarter 1998 to the last quarter 2006.

Figure 23:



Source: HM Land Registry Office

From the simple graph it is clear to see that the overall average residential property price has more than doubled; but how have the varying tenures changed?

Torbay has bucked the national change for the last quarter of 2006 with continued growth across the property market. Terraced properties increased by 3.6% to an average of £159,747 per residential property.

The overall average residential property price in Torbay has increased by 178.7% from £66,684 in last quarter of 1998 to £185,862 for the last quarter of 2006. this is higher than both the regional and national increases. The average price of a terraced property has increased by a massive 215.4% from £50,645 to £159,747, a significantly higher increase than the national one. Table 14 below gives the full breakdown on the market change.

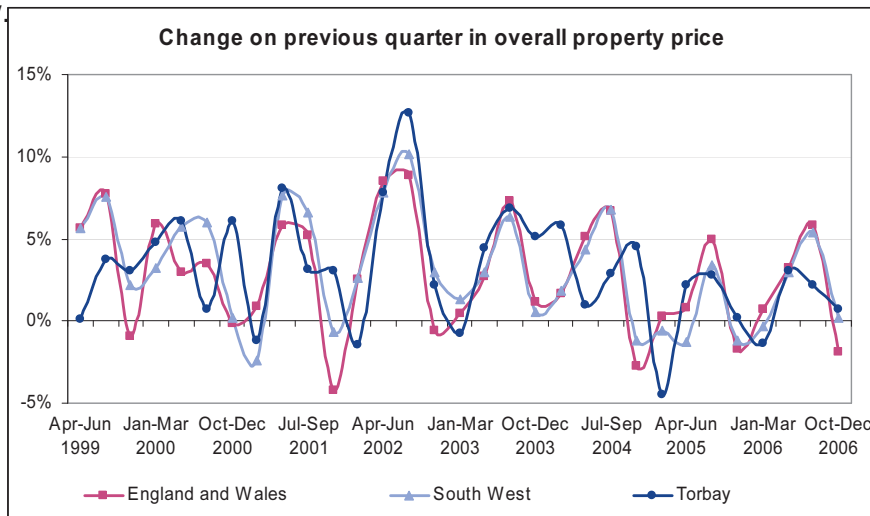
Table 14:

All Houses	Oct - Dec '05 to	July - Sept '06 to	Oct - Dec '98 to
	Oct - Dec '06	Oct - Dec '06	Oct - Dec '06
England & Wales	8.5%	-1.8%	147.4%
South West	8.8%	0.2%	172.1%
Torbay	4.7%	0.7%	178.7%
Detached			
England & Wales	6.8%	-2.1%	145.5%
South West	7.7%	0.9%	163.3%
Torbay	-3.0%	0.5%	151.7%
Semi-Detached			
England & Wales	7.4%	-1.2%	156.3%
South West	7.3%	0.2%	179.9%
Torbay	10.7%	3.1%	199.5%
Terraced			
England & Wales	9.2%	-2.1%	159.4%
South West	9.2%	1.1%	199.0%
Torbay	6.6%	3.6%	215.4%
Flat / Maisonette			
England & Wales	9.1%	-0.1%	136.7%
South West	6.2%	1.0%	173.0%
Torbay	13.1%	2.6%	199.4%

Source: HM Land Registry Office

It is interesting to see how the property price changes quarter on quarter. Could the season affect the property price? There is a distinct seasonal trend in the market, with the spring and summer months showing signs of increasing prices and sharp decreases in the winter months. On the whole, the change for Torbay is similar to the national picture, shown in figure 24 below.

Figure 24:



Source: HM Land Registry Office

A crude breakdown of the average residential property prices into a lower quartile and upper quartile bandings gives some interesting figures for prices – shown in table 15 below.

Table 15:

All Houses	2006 Average		
	Lower quartile	Average	Upper Quartile
England & Wales	£152,054	£202,739	£253,423
South West	£156,999	£209,332	£261,665
Torbay	£136,160	£181,547	£226,933
Detached			
England & Wales	£230,571	£307,428	£384,285
South West	£231,037	£308,049	£385,061
Torbay	£206,892	£275,857	£344,821
Semi-Detached			
England & Wales	£137,477	£183,303	£229,129
South West	£143,686	£191,582	£239,477
Torbay	£137,200	£182,933	£228,666
Terraced			
England & Wales	£120,600	£160,801	£201,001
South West	£126,766	£169,021	£211,276
Torbay	£115,797	£154,396	£192,994
Flat / Maisonette			
England & Wales	£139,657	£186,210	£232,762
South West	£114,546	£152,728	£190,910
Torbay	£97,273	£129,697	£162,121

Source: HM Land Registry Office. The Consultation and Research Team, Torbay Council.

The least expensive property type in Torbay is the lower quartile flat / maisonette at just under £100k.

HOUSING AFFORDABILITY:

Contrary to the evidence of relatively low property prices, the affordability of property for the workplace population is an issue.

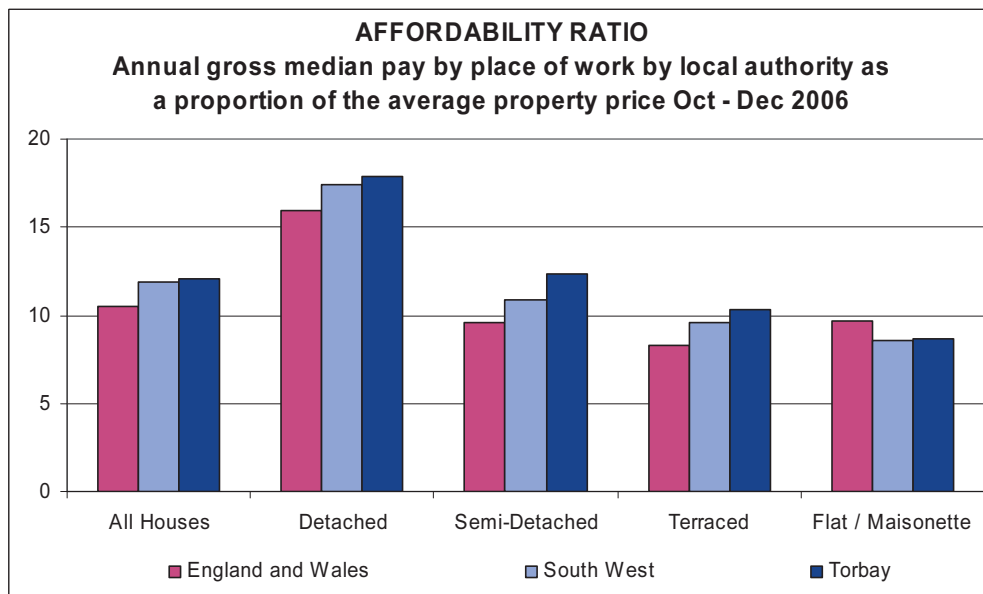
Affordability, in this case is defined as the ratio between the median annual earnings and the overall average residential property price.

The overall affordability in Torbay is higher than both the national and regional ratios – i.e. more unaffordable.

To purchase the average detached property in Torbay for the last quarter of 2006 would take 17.9 times the gross annual median earnings of £15,446.

Figure 25 shows that despite being almost 9 times the gross annual median earnings, the average flat / maisonette is more affordable in Torbay than the national average.

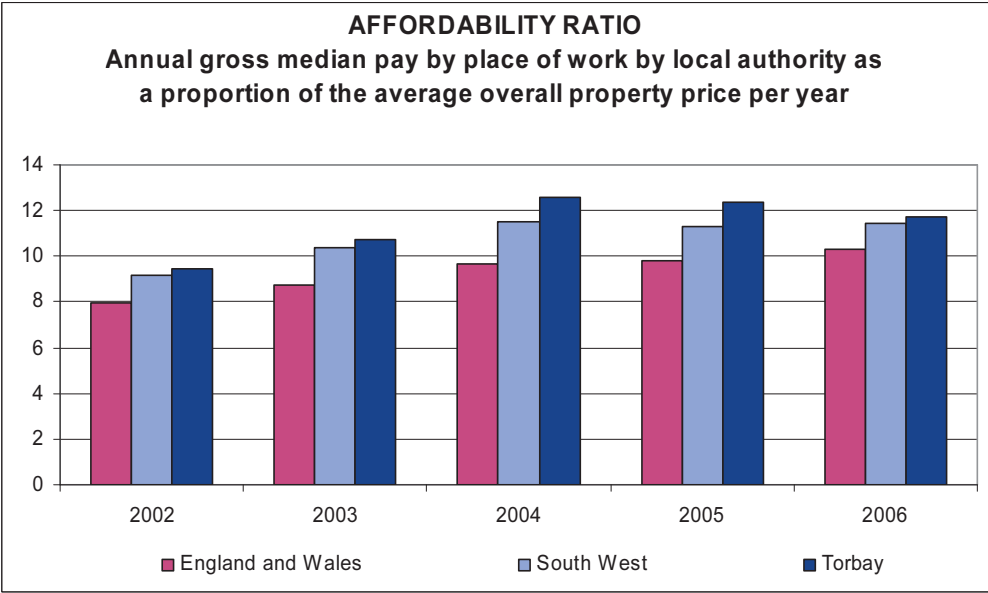
Figure 25:



Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

Using historical data from the Annual Survey of Hours and Earnings and HM Land Registry, a picture of affordability over time for the overall residential property can be derived. Figure 26 shows how this has changed in the last five years – Torbay has consistently averaged with a higher affordability ratio than both the regional and national averages. The affordability ratio peaked in 2004 at 12.6 times the gross median annual earnings for that year.

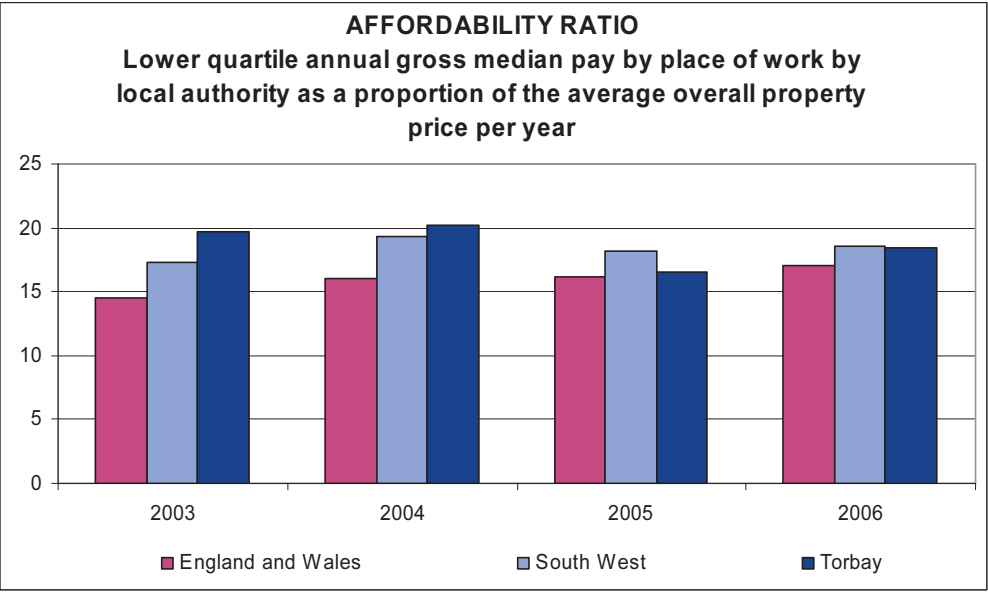
Figure 26:



Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

The affordability ratio for the lower quartile earners is even starker, with the overall average residential property price costing almost 18.5 times the lower quartile gross median annual salary. Figure 27 below shows how this has changed over the last four years.

Figure 27:



Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

How much to borrow?

Are people borrowing more than they can afford in order to get on or climb the property ladder?

With the dramatic increase in property prices in recent years, and the marginal increase in earnings, the affordability ratios make for stark viewing. With interest rates relatively low, and Torbay projected to be a high growth local authority area, how long before young people are forced out to live where the affordability ratio is more favourable? How long can Torbay afford to keep losing young people?

The old rule of thumb that to purchase a property you need a 5% deposit and then for a single purchase it is 3.5 times the income and a joint purchase it is 2.75 times the joint income. To purchase the average residential property in Torbay a single applicant with a 5% deposit would require an income of at least £49,276 – table 16 gives the comparative details of incomes needed.

Table 16:

2006 mortgage earnings needed	Single	Joint
England & Wales	£55,029.09	£70,037.02
South West	£56,818.62	£72,314.60
Torbay	£49,276.98	£62,716.15

Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

Although a single purchaser would need to have an income in the region of £50k, less than the national average, when placing this into context it represents 3.2 times the gross median annual salary. The 2006 mortgage earnings needed as a factor of the gross median annual salary is shown in table 17 below.

Table 17:

Factor of median annual salary	Single	Joint
England & Wales	2.8	1.8
South West	3.1	2.0
Torbay	3.2	2.0

Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

With the overall earnings needed to afford the overall average property price for a single purchaser being £49,276.98, how does this compare to the affordability of both the lower and upper quartile property bandings?

Most affordable in Torbay is the lower quartile flat / maisonette, were joint purchasers would have a joint income of 1.1 times the gross annual median each pay plus a 5% deposit.

The following table gives a breakdown of hypothetical income needed (after a 5% deposit) to purchase a property for both lower and upper quartiles by both single and joint purchasers.

Table 18:

Earnings needed	Lower quartile property prices		Upper quartile property prices	
	Single	Joint	Single	Joint
All Houses				
England & Wales	£41,272	£52,528	£68,786	£87,546
South West	£42,614	£54,236	£71,023	£90,393
Torbay	£36,958	£47,037	£61,596	£78,395
Detached				
England & Wales	£62,584	£79,652	£104,306	£132,753
South West	£62,710	£79,813	£104,517	£133,021
Torbay	£56,157	£71,472	£93,594	£119,120
Semi-Detached				
England & Wales	£37,315	£47,492	£62,192	£79,154
South West	£39,001	£49,637	£65,001	£82,728
Torbay	£37,240	£47,396	£62,067	£78,994
Terraced				
England & Wales	£32,734	£41,662	£54,557	£69,437
South West	£34,408	£43,792	£57,346	£72,986
Torbay	£31,431	£40,002	£52,384	£66,671
Flat / Maisonette				
England & Wales	£37,907	£48,245	£63,178	£80,409
South West	£31,091	£39,570	£51,818	£65,951
Torbay	£26,403	£33,603	£44,004	£56,005

Source: Office for National Statistics ASHE- Annual Survey of Hours and Earnings, HM Land Registry Office

With the rapid rise in property prices and relative ease at which individuals can obtain credit, there has been an increase in personal indebtedness.

Are people using the equity gained in their properties to borrow against?

MORTGAGE AND LANDLORD POSSESSIONS:

Possessions have risen in recent years; there has been a 15.6% increase in Torquay county court for possessions ordered between 2005 and 2006. however the national change was higher, at 20.0%.

Table 19:

Total claims issued by quarter	Torquay*	South West	England & Wales
Q1 2005	156	3,794	62,280
Q2 2005	193	4,061	63,693
Q3 2005	173	4,066	67,148
Q4 2005	181	4,241	66,907
2005 Total	703	16,162	260,028
Q1 2006	199	4,389	71,682
Q2 2006	191	4,029	65,678
Q3 2006	187	4,251	69,599
Q4 2006	150	3,530	58,955
2006 Total	727	16,199	265,914
Change	3.4%	0.2%	2.3%

Suspended Orders	Torquay*	South West	England & Wales
Q1 2005	65	1,575	22,964
Q2 2005	60	1,524	24,831
Q3 2005	80	1,659	24,998
Q4 2005	44	1,514	23,940
2005 Total	249	6,272	96,733
Q1 2006	38	1,752	25,894
Q2 2006	54	1,441	23,683
Q3 2006	48	1,469	23,644
Q4 2006	39	1,274	21,901
2006 Total	179	5,936	95,122
Change	-28.1%	-5.4%	-1.7%

Orders Made	Torquay*	South West	England & Wales
Q1 2005	60	1,025	15,421
Q2 2005	58	1,098	18,422
Q3 2005	78	1,278	19,278
Q4 2005	48	1,151	18,874
2005 Total	244	4,552	71,995
Q1 2006	57	1,330	20,752
Q2 2006	72	1,216	20,645
Q3 2006	99	1,330	22,647
Q4 2006	54	1,265	22,371
2006 Total	282	5,141	86,415
Change	15.6%	12.9%	20.0%

Notes:

* Torquay County Court mainly represents the local authority areas of Teignbridge and Torbay

Households are total household spaces taken from the 2001 census

Source: Economics and Statistics Division, Department for Constitutional Affairs

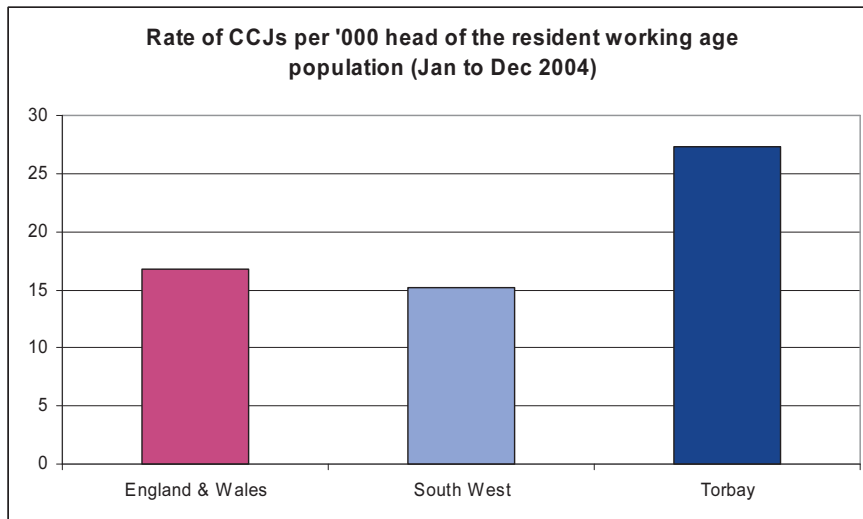
PERSONAL INDEBTEDNESS:

Unmanaged consumer debt based on County Court Judgements (CCJs) – figures refer to judgements taken against individuals.

The rate of CCJs per '000 resident working age population in Torbay was the 14th highest in the country in 2004.

A judgement is a legal name for a record showing that an individual or organisation has been taken to court for the recovery of money. In all cases the court must agree that the money is owed.

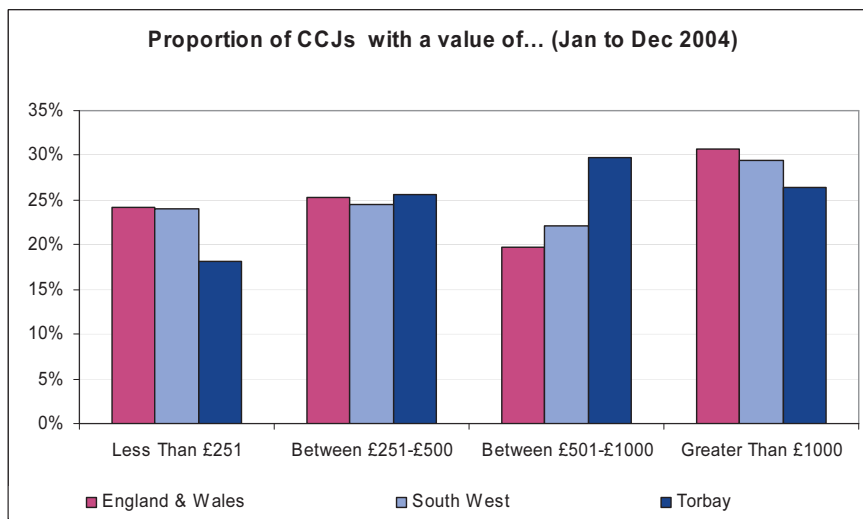
Figure 28:



Source: Office for National Statistics

The average value of CCJs in Torbay was £1,506 for 2004, slightly lower than both the averages for the region (£1,764), and third lower than the national average of £2,005.

Figure 29:



Source: Office for National Statistics

GLOSSARY OF TERMS:

ABI	Annual Business Inquiry
APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
DCC	Devon County Council
DCLG	Department for Communities and Local Government (formally Office of the Deputy Prime Minister)
DfES	Department for Education and Skills
LBS	Labour Force Survey
LSC	Learning Skills Council
ODPM	Office of the Deputy Prime Minister
ONS	Office for National Statistics

USEFUL WEBSITES:

- www.communities.gov.uk/
- www.devon.gov.uk
- www.dca.gov.uk
- www.landreg.gov.uk
- www.statistics.gov.uk
- www.torbay.gov.uk

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