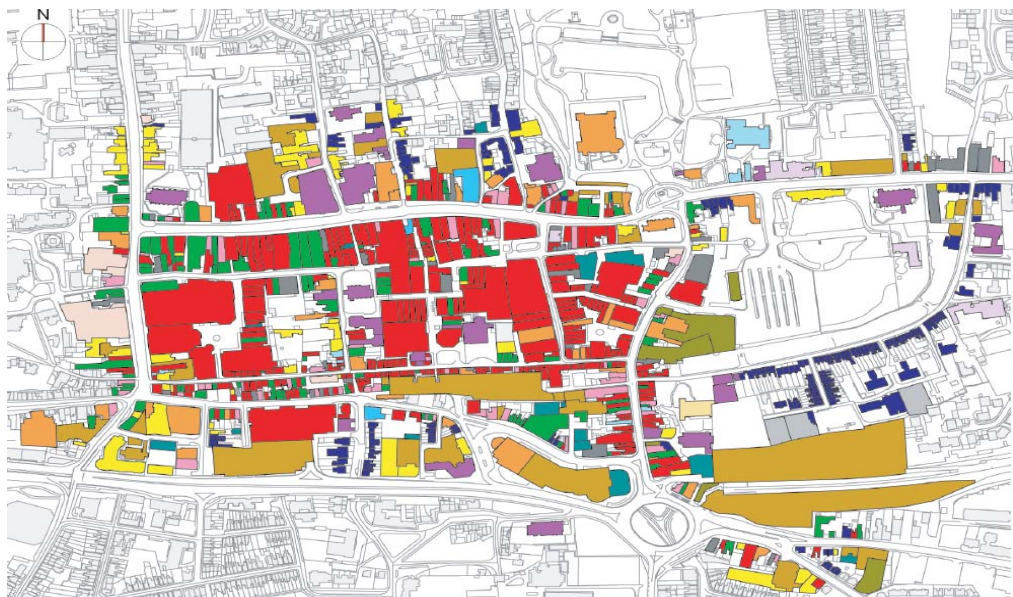


Colchester Quarterly Economic Report

Issue 2: October 2009



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Focus on the Recession and Colchester town centre



Background information

The production of this quarterly economic report for Colchester aims to give a better understanding of the Borough's economic makeup and performance and in comparison to national and local trends.

The report also aims to inform policy-making through providing an objective understanding of Colchester's communities of interest and geography.

These quarterly reports typically examine recent data on a range of variables which include:

- Regional changes, including GDP
- The demographics of recession impacts
- Jobs advertised and sought through Jobcentre Plus
- Unemployment
- Worklessness
- Levels of 16-19 year olds Not in Education, Employment or Training (NEET)
- Redundancies
- Vulnerable sectors (of the economy)

In addition, each report will provide a topical focus/

Thanks go to Essex County Council , Connexions and Jobcentre Plus (Essex District and Colchester offices) for providing data towards this report.

For more information or questions about this report, please contact Cheryl Pashley in the Research and Engagement team at Colchester Borough Council (01206) 505390 or Jim Leask in the Enterprise and Tourism team at Colchester Borough Council (01206) 282864.

Recession focus – summary

- Annually (Q2 08 to Q2 09), and between the first two quarters of 2009, Gross Domestic Product (**GDP**) fell by a greater percentage in the **East of England region, than across the UK** overall.
- Between the first two quarters of 2009, there was a GDP based **estimated 2.08% reduction in employment in the East** of England region.
- For the East of England, this is predicted to translate into the **largest job losses for the manufacturing sector** (14,037 predicted job losses) followed by **financial and business activity employees** (12,557 predicted) In **Colchester**, 8% of 2007 SIC (Standard Industrial Classification) jobs were in manufacturing, which is **less than the 10% of UK jobs** which were made up of **manufacturing, so the town may be more recession proof** than the East of England in general.
- Although these two figures (GDP change and job losses) are for the East of England region, and are not specific to Colchester, this has implications for Colchester, as a Key Centre for Development and Change and a major town in Essex, which is a significant County in the Region. We would expect the Borough to witness some economic difficulty according to this data.
- Since January 2006, the **percentage of Colchester's population claiming Job Seekers Allowance**, according to ONS claimant count rates, has **increased**, and although it levelled off between May 09 and July 09, the August 2009 data shows a slight increase in claimant proportions for Colchester, the East and the UK.
- **Colchester** has had a **lower rate of JSA claimants than the East and the UK** since 2006, and still has so. Since January 2006, the average claimant rate is 1.9% in Colchester, 2.1% in the East and 2.7% in the UK.
- **Average house prices fell by 2.8% for the UK** annually, but by **9.3% for the same period in Colchester**, with average **flat prices** falling at the **greatest rate, by 24.2%** across the borough.
- Colchester Borough Council **Mosaic research projects** into Housing Benefits claimants, Housing Service requests (including housing applications) and Colchester Borough Homes rent arrears show that **new types** of customers are **experiencing financial difficulty** as a result of the recession. *In particular, data shows emerging difficulty for **senior professionals and young people** (18-34 'IPOD'¹ generation)*
- There has been an **increase** of 16-19 year olds Not in Employment, Education or Training (**NEET**) from **7.3%** of the age group in **August 2008** to **8.3% in August 2009**.
- **18 to 24 year olds** made up the **highest percentage of JSA claimants** across the UK (31%) in February 2009, and in **Colchester** accounted for a higher percentage (**33%**). The second largest proportion of claimants in the UK (24%) and **Colchester (24%) were the 25 to 34 year old age group**. 18 to 34 year olds collectively have been identified as a group vulnerable to recession in other council reports²
- Collectively, these two '**IPOD**' age groups made up **57% of all JSA claimants in February 2009**.

1. Recession impact - Gross Domestic Produce data, economic context

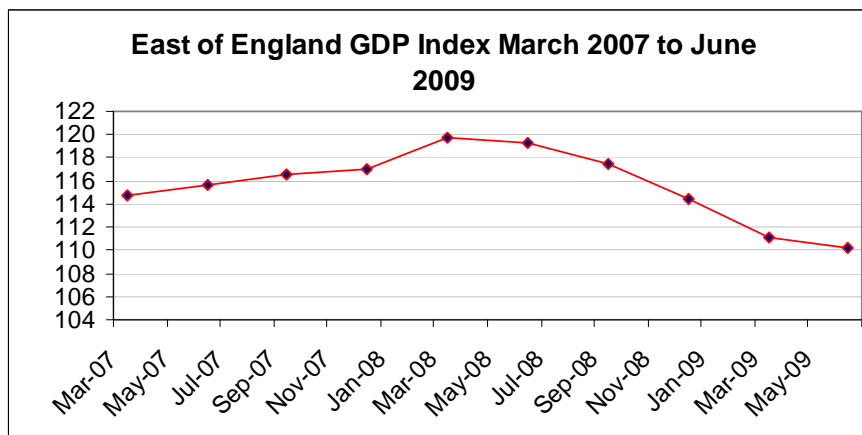
1.1 GDP annual and quarterly change

GDP annual and Quarterly change		
	Annual change (Q2 2008 TO Q2 2009)	Quarterly change (Q1 to Q2 2009)
UK	-5.50%	-0.70%
East of England	-7.60%	-0.80%

ONS data regional GDP estimate data and national GDP data by annual quarter, © Crown copyright, 2009

The East of England has seen a greater percentage reduction in GDP than the UK over the last year, and the last quarter according to the regional estimates GDP data. Although this data covers all of the East of England, it still has implications for Essex, as a major county in the region, and Colchester as a large town in the county.

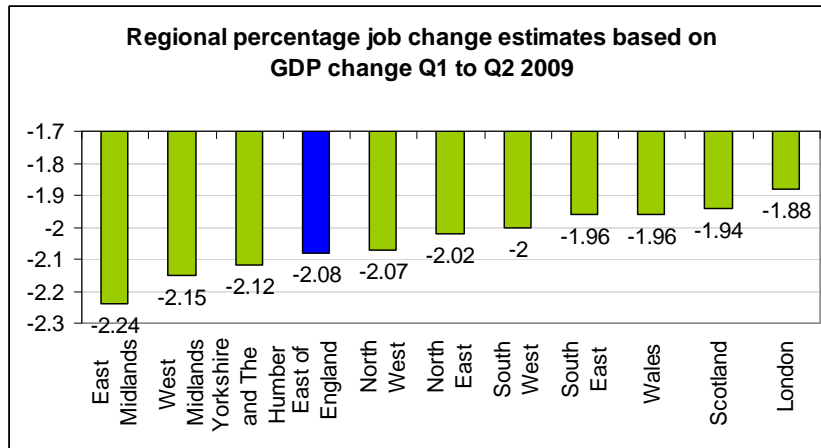
1.2 GDP: March 2007 to June 2009



ONS regional GDP data accessed from Gavurin recession map, © Crown copyright 2007-09

Between March 2007 and 2008, there was a steady increase in GDP in the region. However, since March 2008, the East of England has seen a sharp decline in GDP Index value, from 119.8 March 2008 to 110.2 in June 2009.

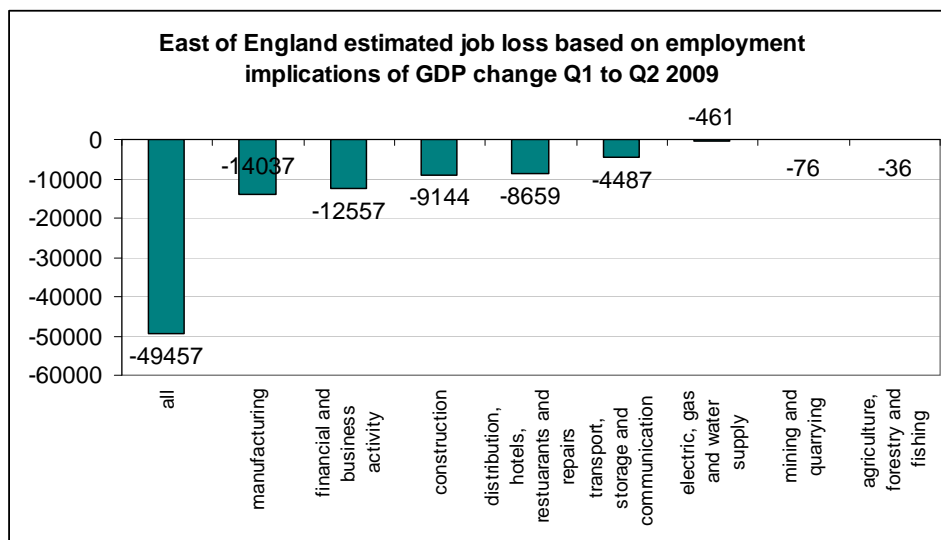
1.3 GDP and Job changes



ONS regional GDP data accessed from Gavurin recession map, © Crown copyright 2009

- All regions expected a reduction in percentage of jobs between the first and second quarter of 2009, according to GDP estimates.
- The East of England estimated the fourth largest decline of the 11 regions, with an estimated decrease of 2.08% of jobs.

1.4 GDP and Job losses

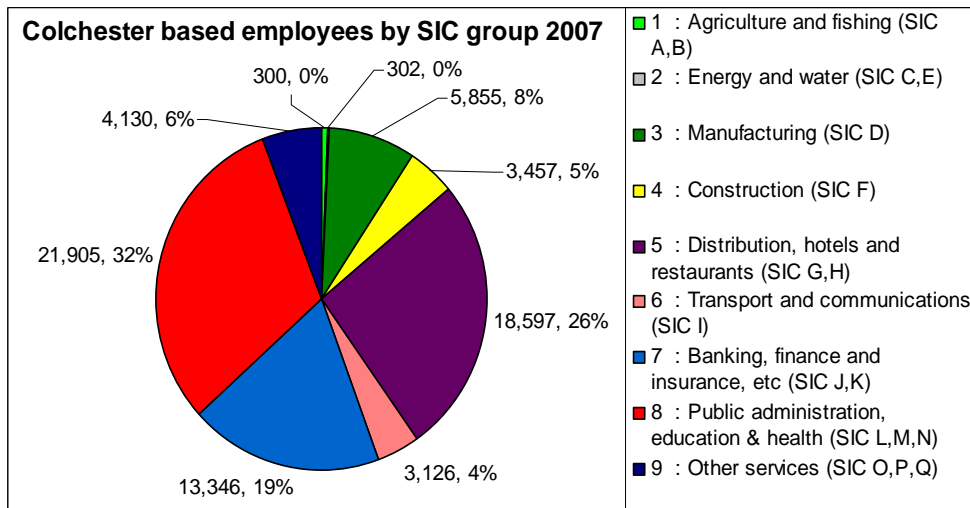
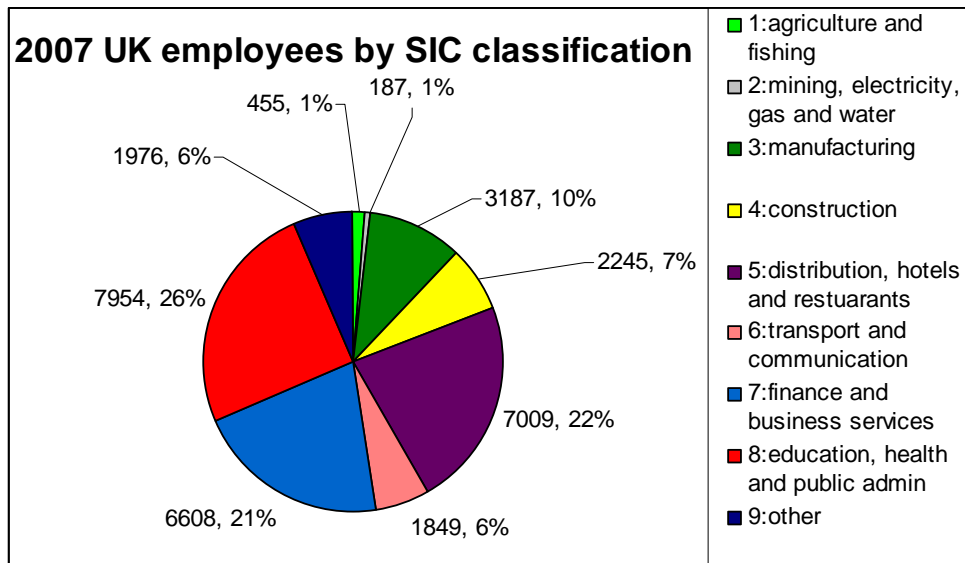


ONS regional GDP data accessed from Gavurin recession map, © Crown copyright 2009
 Please note that the data for this release does not contain any agricultural data.

- The predicted 2.08% reduction of East of England jobs would expect to translate into 49,457 jobs.
- The majority of these (14,037) were expected to be in manufacturing, followed by financial and business activity (12,557).
- Although the agriculture, forestry and fishing sector had the smallest estimated job decrease, agricultural data was missing from the ONS estimates, so this could potentially be larger.

2. How “recession proof” is Colchester?

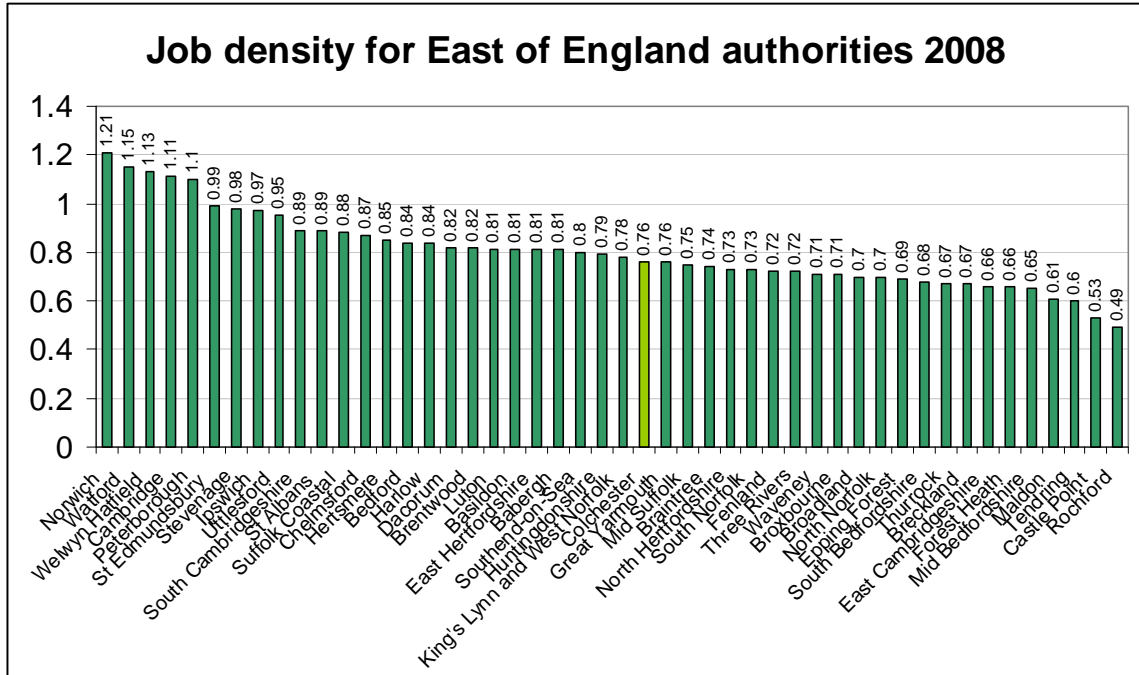
2.1 UK and Colchester employees by Standard Industrial Classification (SIC)



ONS data Labour market statistics, © Crown copyright 2008

- In 2007, Colchester only had 8% of employees in manufacturing, compared to 10% of the population nationally, and with less reliance on employment in this sector (which was expected to see the largest number of job losses in the East of England region) this may prove an advantage.
- In 2007, Colchester had 19% of employees in the financial and business sector, compared to 21% nationally, so the area also had slightly less employed in Colchester, which could also be an advantage for the Borough.
- The largest proportion of Colchester’s working population, at 32%, compared to 26% nationally, are employed in public administration, education and health, which have been reported and assumed as more ‘recession proof’ employment areas.

2.2 Job density in the East of England



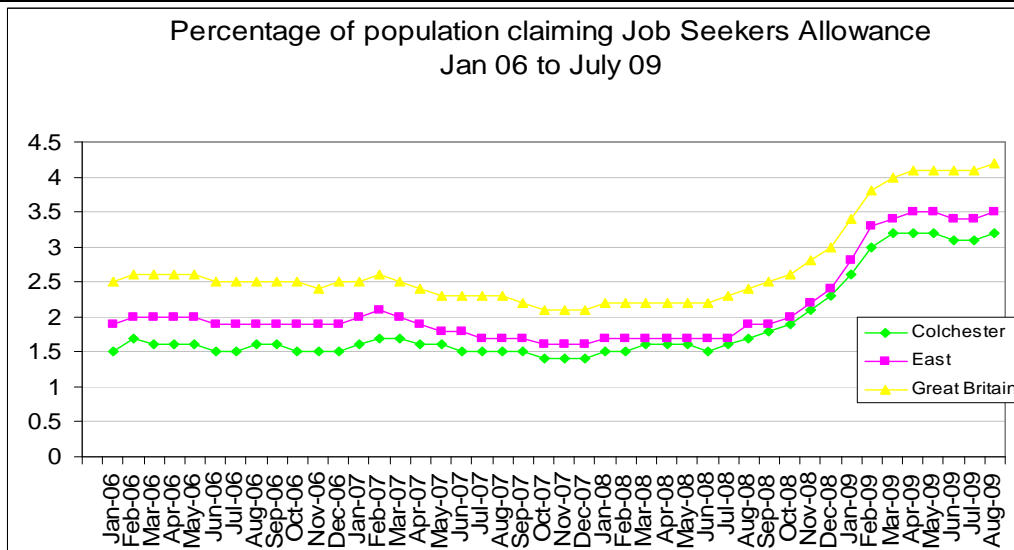
Source: ONS jobs density © Crown copyright 2008

The density figures represent the ratio of total jobs to working-age population

- In 2008, Colchester was in the mid-range for the East of England authorities in terms of the job density ratio, which is a ratio of the number of jobs to the working age population.
- The score for Colchester was 0.76, which indicates that not all of the working age population are able to work in the Borough but which, in national terms, evidences a high degree of local labour market “self containment”.

3. Unemployment and Worklessness

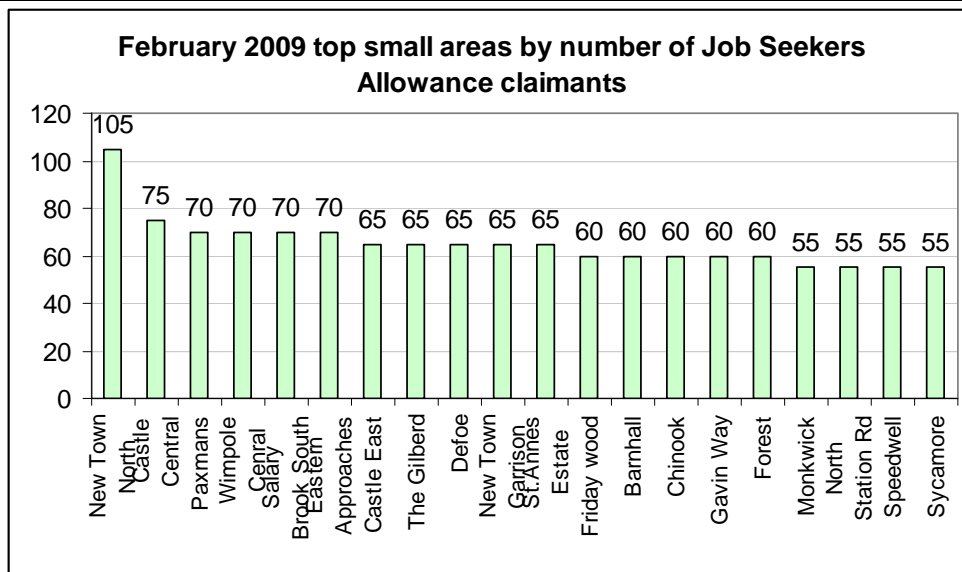
3.1 Job seekers Allowance claimants



Nomis web data, ONS claimant count as a percentage of the working age population, © Crown copyright, 2009.

- In the last economic report, data was available to May 2009, and showed an increase in Jobseekers Allowance claimants in all areas since August 2008.
- More recent data shows that in June, Colchester and the East saw a 0.1% JSA claimant reduction, which stayed the same for July 2009. However, in August 2009, the rate had increased again by 0.1% of the population.
- The UK was a constant figure from May 09, until the rate increased by 0.1% in August 2009, when all geographic levels saw a slight increase in claimant proportions.
- The August increase could be due to seasonal factors, as this period is when many young people leave education and begin searching for a job.
- Overall, the JSA claimant rate appears to have slowed down in growth since March 2009.

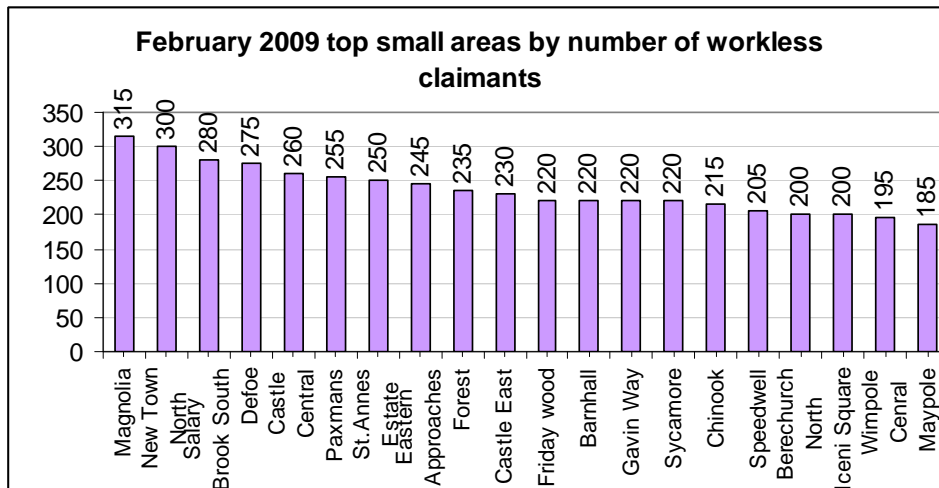
3.2 Job Seekers Allowance claimants: Small area (LLSOA) data



DWP Job Seekers Allowance data (rounded to nearest 5), September 2009.

- As in August 2008, *New Town North* and *Castle Central* had the highest number of JSA claimants in February 2009. However, for August 2008, in *New Town North*, there were only 75 claimants, compared to 105 in February 2009, an increase of 30 claimants in the area.
- *Castle Central* had increased from 60 claimants in August 2008, to 75 claimants in February 2009.
- *Paxmans* had increased by 30 claimants between the two periods, from 40 to 70, to become the small area with the third highest number of claimants.

3.3 Small areas with highest Worklessness levels

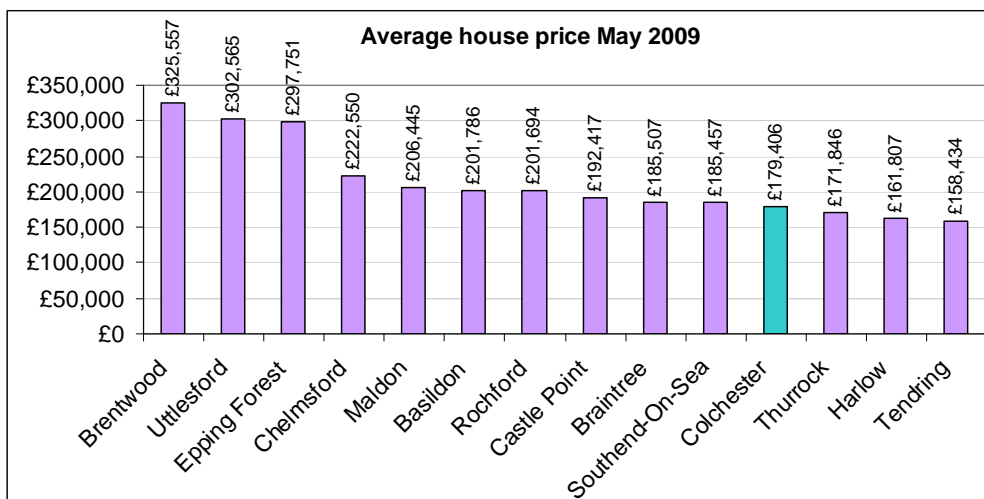


DWP Worklessness data (rounded to nearest 5), September 2009.

- The five small areas with the largest number of Workless claimants remained the same between August 2008 and February 2009.
- Across the period, the number of claimants increased in *Magnolia*, from 290 to 315 (by 25 claimants). *New Town North* saw an increase of 35 claimants from the figure of 265 in August 2008 to 300 in February 2009.

4. House prices in Colchester

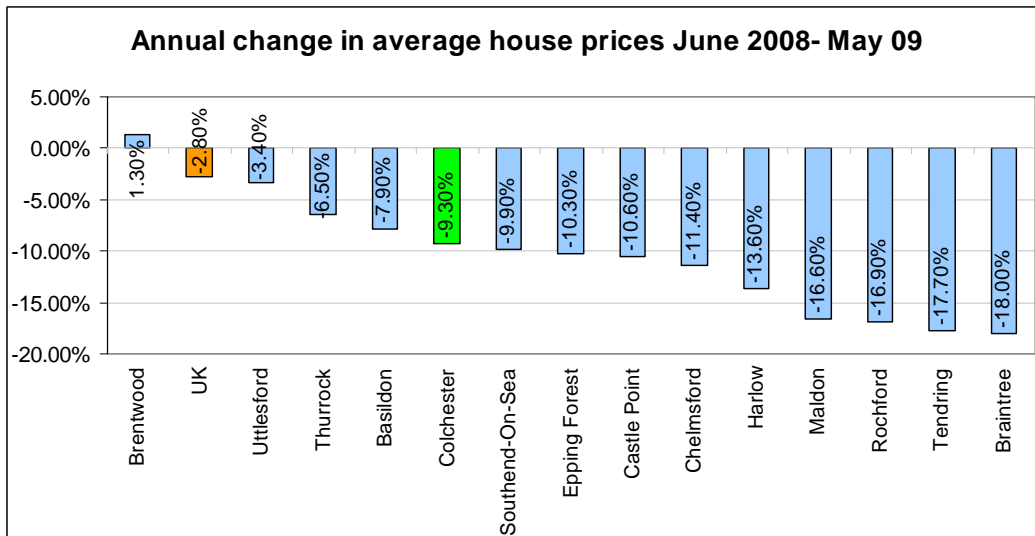
4.1 Average house prices



Data source BBC House prices for Colchester and neighbouring local authorities, Land Registry for England and Wales, © Crown copyright, May 2009

- In May 2009, Colchester was rated 11th of the 14 local areas for average house prices and the average price for the Borough across housing types was £179,406.
- Tendring had the lowest average house price (£158,434) and Brentwood had the highest (£325,557), reflecting geographical distance from London.

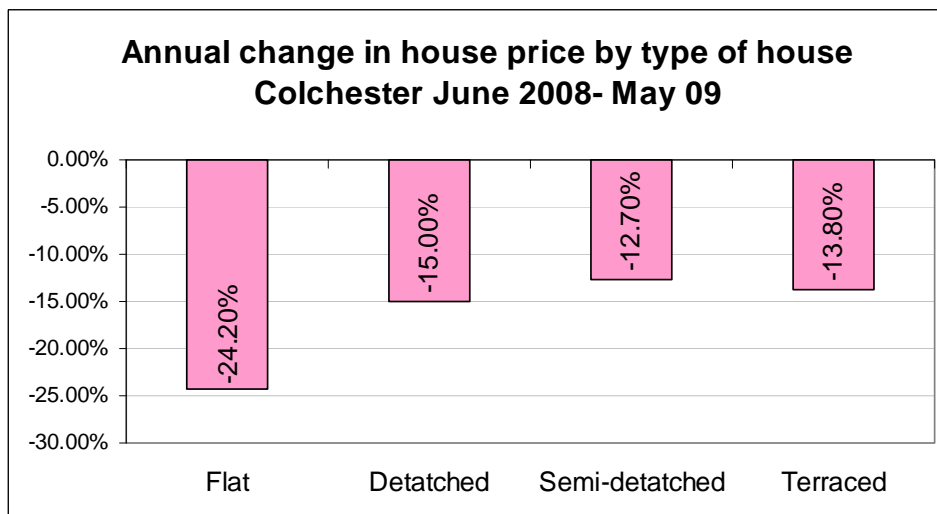
4.2 Annual change in house prices: District and Local Authority area



Data source BBC House prices for Colchester and neighbouring local authorities, Land Registry for England and Wales, © Crown copyright, May 2009.

- Of the 14 local areas and the UK overall, Colchester had the fifth smallest decrease in the average house prices between June 2008 and 2009.
- The average property price in Colchester decreased by 9.3% between June 2008 and May 2009.
- Brentwood was the only area to see an increase in average house prices, with a rise of 1.3% for the year.
- Braintree had the largest decrease in average house prices, with the value falling by 18% across the year.

4.3 Annual change in house prices by type of dwelling



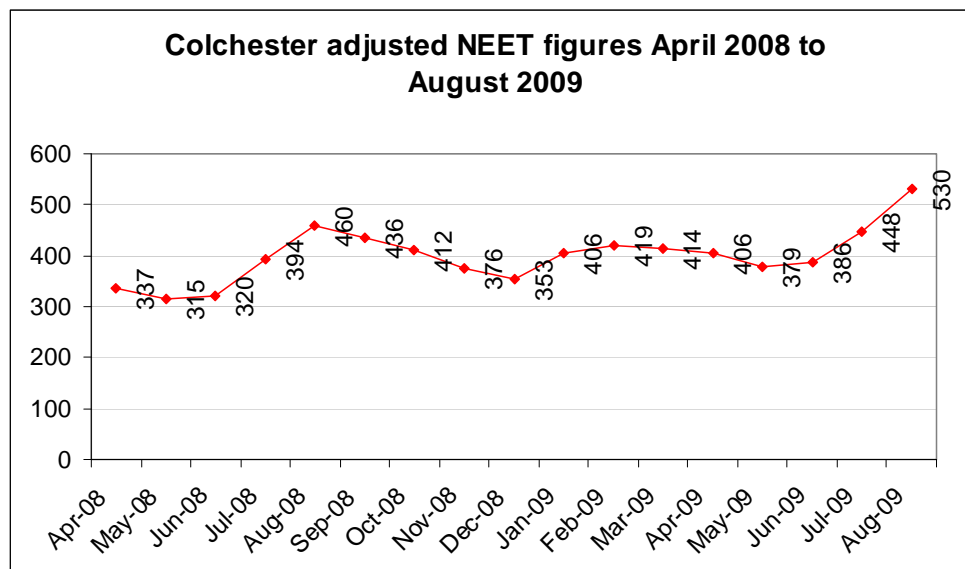
Data source BBC House prices for Colchester and neighbouring local authorities, Land Registry for England and Wales, © Crown copyright, May 2009

- In Colchester, the value of flats decreased more than that of any other property, falling by 24.2% between June 2008 and May 2009. This was almost 10% more than the next largest drop in value, which was 15% for detached properties. This change reflects market over-supply.
- Average semi-detached property value fell by the lowest amount, at 12.7%. again related to demand.

5. Young people and the economy NEET 16 - 19 figures and Jobseekers Allowance by age

In the current recession young people are still being shown to be disproportionately affected by redundancies and employment and appear in more of our Council-wide research into the local recession impacts. The NEET figures also give further weight to the case that this group is one of the hardest hit by the recession.

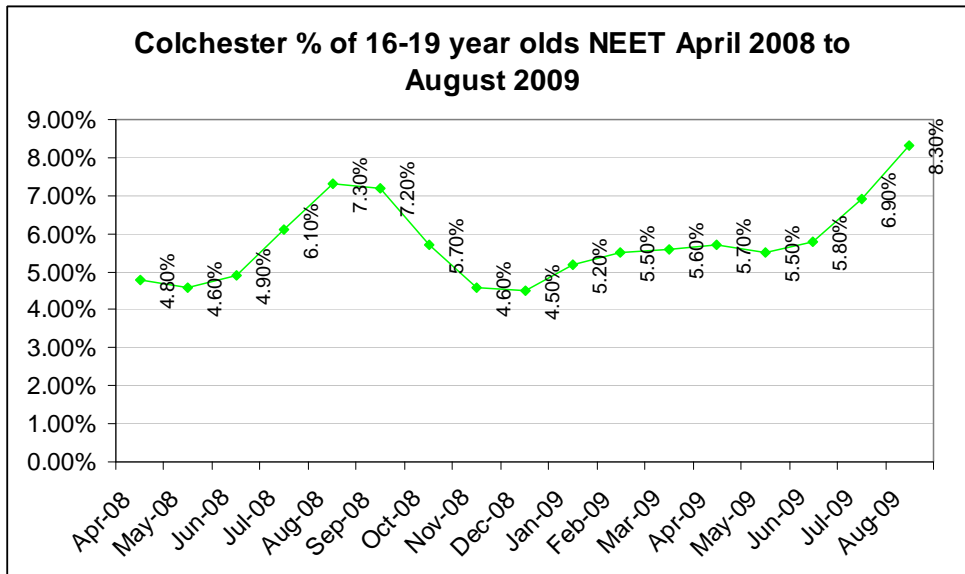
5.1 Adjusted NEET figures April 2008 to August 2009



NEET data provided by Essex County Council- Connexions, September 2009.

In August 2008, the adjusted NEET level³ in Colchester was 460, and August is normally a month with higher levels, due to this age group leaving school and sometimes taking time to arrange employment or education. However, in August 2009, this figure was considerably higher, at 530 (an extra 70 NEET 16 to 19 year olds).

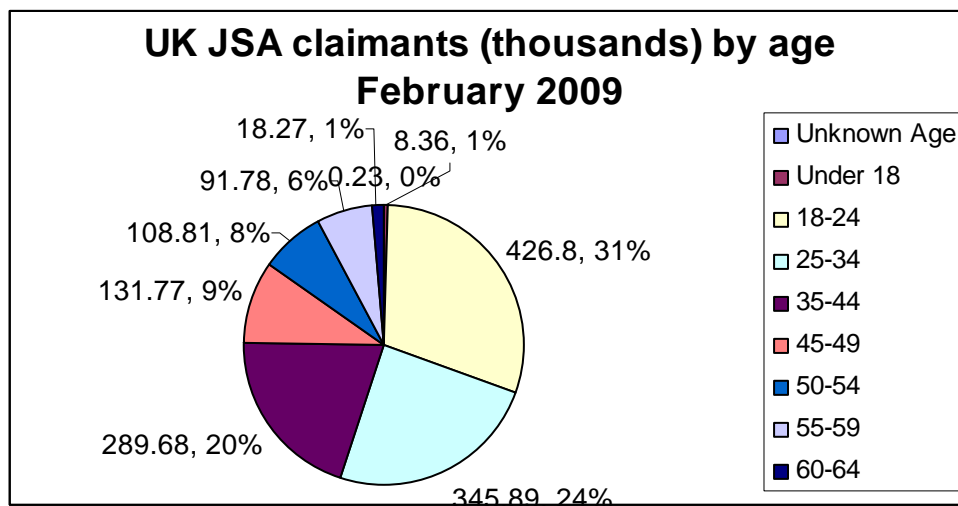
5.2 NEET as a percentage of the 16 to 19 year old population



NEET data provided by Essex County Council- Connexions, September 2009.

NEET figures as a percentage of the 16 to 19 year old population give a better understanding of the relative impact of NEET figures. They show that in August 2009, 8.3% of this age group were classed as NEET, which is up 1% of the 16 to 19 year old population, from 7.3% of 16 to 19's NEET in August 2008.

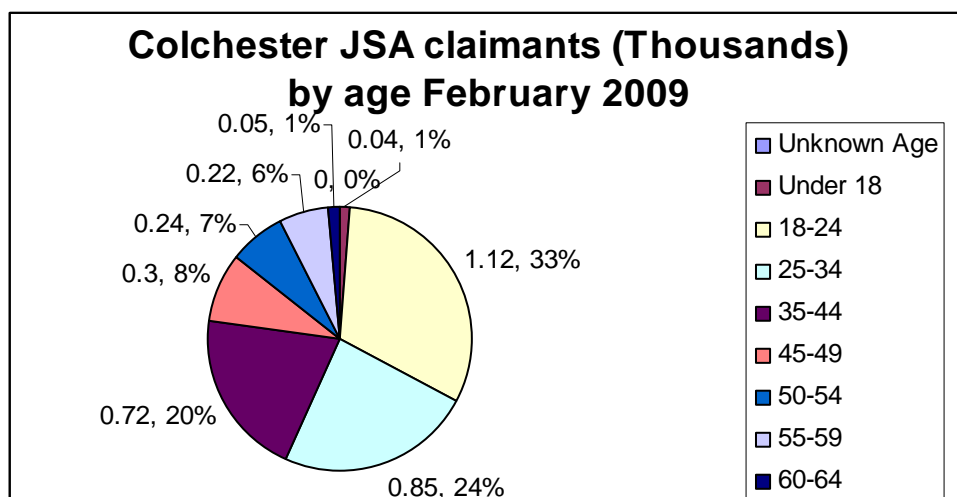
5.3 UK Job Seekers Allowance (JSA) claimants by age



DWP claimant count data, September 2009.

- In the UK in February 2009, 18-24 year olds (31%) made up the largest proportion of JSA claimants, followed by 25-34 year olds (24%).
- The 18-34 year old age group have been identified in previous reports and research by the Research and Engagement team at Colchester Borough Council as recession vulnerable.²

5.4 Colchester Job Seekers Allowance (JSA) claimants by age



DWP claimant count data, September 2009.

- In Colchester, like the UK as a whole, 18-24 year olds also made up the highest proportion of JSA claimants. However, at 33% of all claimants, this was higher than the UK rate. This was again followed by the 25-34 year old age group, who made up 24% of claimants, the same rate as the UK.
- In the Colchester data, there are a greater percentage of 18-34 year old JSA claimants. There is a serious threat associated with young people with little labour market experience becoming permanently 'scarred' by early unemployment.

6. Colchester Job Centre Plus vacancies advertised and positions sought

6.1 Job Centre Plus vacancies in Essex

	Aug-09			
	March 09 Percent	Vacancies advertised	Occupations sought	Percent*
Basildon	11.2566	977	4900	19.93878
Braintree	14.21613	773	3655	21.14911
Brentwood	34.66667	518	1020	50.78431
Canvey Island	8.608696	150	1135	13.21586
Chelmsford	18.56964	1128	4060	27.78325
Clacton	12.16274	335	2205	15.19274
Colchester	24.02075	1181	3745	31.53538
Grays	18.36207	709	3535	20.05658
Harlow	14.14562	655	3390	19.32153
Harwich	24.09449	70	605	11.57025
Loughton	10.44199	213	1700	12.52941
Rayleigh	20.82707	442	1350	32.74074
Southend	23.82845	1132	5070	22.32742
Witham	23.15789	187	905	20.66298

Data source, Job Centre Plus, Colchester branch site level vacancies, September 2009.

- The majority of local authorities saw an increase in the vacancy to job seeker ratio, and Colchester was included in this, rising from jobs for

24% of job seekers in March 2009, to jobs for 31% of Job seekers in August 2009.

- Colchester had the third highest vacancy to job seeker ratio for the 13 local authorities in August 2009.
- Unfortunately, this data will not always translate into employment figures, as quite often the types of vacancy sought may not match to types of jobs available. The charts below show the top vacancies and jobs sought for Colchester.

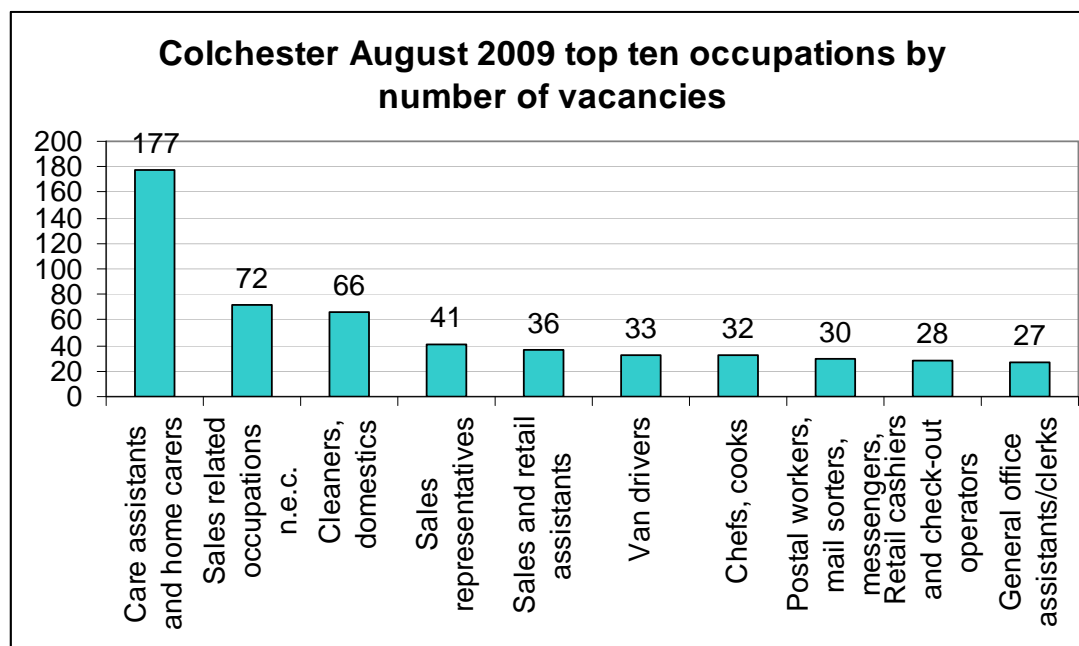
6.2 Jobs most in demand by Colchester Job seekers



Job Centre Plus site level vacancy data September 2009, provided by Colchester branch, September 2009.

- The top number of job seekers in Colchester were seeking sales and retail assistants posts (at 445 job seekers compared to 36 jobs advertised). This was also the most popular occupation sought in March 2009, but the number of job seekers in this group had reduced from 465 in March.
- The number of general office assistant job seekers had increased from 390 in March 2009, and this category was still the second highest, at 415.

6.3 Jobs with most availability in Colchester



Job Centre Plus site level vacancy data September 2009, provided by Colchester branch

- There is little match between the types of jobs available and the types of jobs sought, as these two job seeker and vacancy charts show.
- In August 2009, as in March 2009 care assistant roles made up the largest number of vacancies and this number had increased from 148 in March 2009 to 177 in August 2009.
- In March 2009, nurses made up the second largest number of vacancies, at 124 but they did not appear in the top ten vacancies by occupation for August 2009.

7. Redundancies

7.1 Notified Redundancies since July 2009

Since the last quarterly report (July 2009), Colchester Jobcentre Plus has registered the following *notified redundancies*:

Company	Staff lost	Sector
Blacks	5 – 10	retail
Vodafone	60	business services
Wivenhoe Park	20	hotel and catering
Total	85-95	

Source: Jobcentre Plus District Office, September 2009.

It is important to note that redundancies only have to be notified, by law, if they concern 20 or more employees, so potentially more redundancies could have occurred in the borough. This is particularly likely in a town like Colchester, where Small and Medium Enterprises (under 250 employees) account for a large number of businesses.

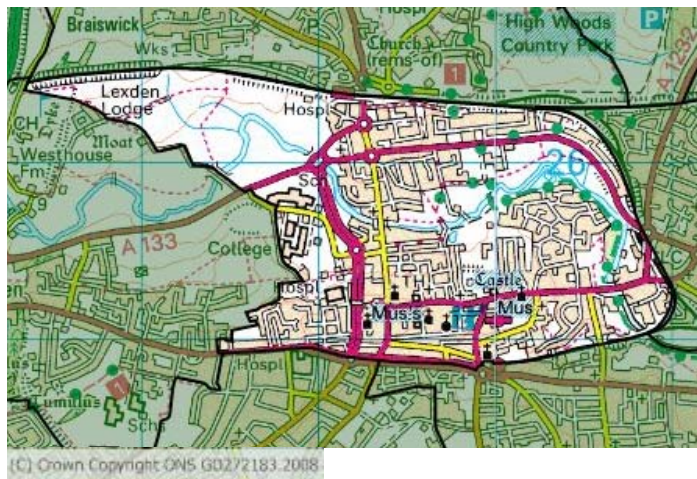
8. Colchester Town centre

8.1 Definition of the town centre

Colchester town centre is the area covered by Castle Ward which is the same as the ONS Middle Level Super Output Area called Colchester 007 (see map below).

This definition matches that in the LDF Core Strategy (9 October 2008) which states:

'Colchester's town centre incorporates the town centre core within the historic wall, as well as surrounding fringe areas and the key rail station gateways. These areas can be accessed from the Borough and the Region by a range of transport modes and can support a wide range of uses' (LDF core strategy:2008).



8.2 Economic data for the town centre

- In March 2007, the town centre contained 790 VAT registered businesses⁴ which was 14.8% of all such businesses in the Borough. (ONS, VAT registrations, 2008)
- Of these, the largest number by broad industry group were 330 in Property and Business Services; 130 in Retail; 115 in Hotels and Catering; and, 60 in Public Administration and Other Services. (ONS, VAT registrations, 2008)
- Almost exactly half (49.3%) of the Borough's total retail floorspace is located within the town centre as is 49.8% of its office floorspace. (DCLG Floorspace statistics, 2008)
- For the most recent year for which data is available - 2007, 19,702 employees were working within the area in a total of 1,620 workplaces ('data units'), equivalent to 28.8% of all employees in the Borough and 22.3% of its workplaces, (ONS, Annual Business Inquiry, 2008)
- The town centre employee number has dropped from 22,499 in 2003, despite the overall rise in jobs across the borough. (ONS, Annual Business Inquiry, 2008) This could be due to a number of factors, including business relocation to cheaper rents, and intensification of use of staff.

- Of these employees, 6,381 worked in Distribution, Hotels and Restaurants category of which there were 591 data units. (Annual Business Inquiry, ONS, 2008)
- Colchester is tasked in the Regional Spatial Strategy with generating an additional 14,200 employee jobs over the period 2001-2021.
- The Colchester Employment Land Study (Colchester Borough Council: June 2007) identifies a need, to increase retail jobs by 2,400, Hotels and Catering jobs by 2,300, and by 3,900 in Other Business Services, 5,300 in Health and Education and by 1,500 in Other Services, the majority of these jobs will require to be met by planned developments in the Town centre.

8.3 The shopping mix in the town centre

Colchester town centre retail outlets include multiples, independent retailers and the charity shop sector. A multiple retailer is part of a network of nine or more outlets and the presence of these can enhance the appeal of the centre. In May 2004, multiple retailers occupied 237 of the total 594 retail units in Colchester (40%), which is higher than the national average of 34%.

GOAD data for the Town centre (Experian and ONS, October 2008) revealed from a total of 449 shops the following mix of retail outlets trading at that time:

- 166 multiples (37%)
- 262 independents (58%)
- 21 charity shops (5%)

8.4 Retail Spend (Comparison Goods) expenditure (£m): key East of England locations

Retail spend refers to the annual amount spent within each town centre location.

Location	Centre category	2006	2007	2008	2009	Regional Position	2009 Position in UK top 50
Norwich	Primary	1,170	1,050	1,230	1,240	1	11th
Cambridge	Primary	933	820	880	1,050	2	16th
Ipswich	Major	not in top 50	390	440	500	5	46th
Colchester	Major	566	490	570	550	4	44th
Chelmsford	Major	not in top 50	340	480	500	6	48th
Thurrock (Lakeside)	Out of Town Regional Mall	695	960	910	800	3	24th

Source: CACI, Retail footprint data, 2006- 2009

Note: this data does not include convenience goods (i.e. groceries)

- Colchester had a higher 2009 retail spend than neighbouring Ipswich and Chelmsford, at £550 million.

- However, since 2006, the Colchester's expenditure share has decreased, possibly being absorbed by these neighbouring areas, which have both seen a rise since 2006.

8.5 Shopping rents in the town centre

The level of rent which retailers are prepared to pay for retail space within a centre indicates the perceived strength of that centre (*other factors such as the availability of floor space may also have an impact on rental value*).

Rental Values for 1 July 2008, Eastern Region

Location	Type 1 £/m2/ annum ZP 1	Type 2 £/m2/ annum ZP 1
Cambridge	2,550	1,300
Peterborough	2,250	900
Ipswich	1,650	700
Norwich	2,350	1,175
Chelmsford	2,100	1,300
Colchester	1,850	830

Source: Valuation Office Agency, Rental Values data, July 2008

The above table indicates zone A rental values (the highest rental values) on full repairing terms for two types of shop premises. (**Type 1** Prime position in principal shopping centre and **Type 2** Good secondary off peak position in principal shopping centre) All measurements are based on gross internal areas.

- Colchester's prime and secondary values are less than most other key locations with the exception of Ipswich.
- This could be considered to be competitive, but could also be a sign that Colchester is not yet recognised to be as strong as other local areas.
- The retail property market considers Colchester's centre to be healthy. This is partly because of its affluent primary catchment area as well as the size of its estimated shopping population, put at 244,000. (Property Week: 3rd October 2008)

8.6 Vacant retail property

The proportion of vacant street level property is one indicator which can be used to assess the vitality of a town centre. It should be used with caution, however, as vacancies can arise even in the strongest town centres, particularly where properties are under alteration.

The absence of any vacancies can be symptom of under provision of space, and present new retailers and current retailers in the centre from securing new or enhanced representation.

- Currently, the national vacancy rate for town centre retail units is put at 12%, much higher than in the pre-recession period.
- In Colchester the current picture is slightly higher at 12.3% and can be compared to the recent past in the following table:

	Vacant retail units	% of total retail units	National vacancy rate %
2004	54	9.1	10.1
2009	82	12.3	12.0

Sources: Experian Goad Town centre Report (October 2004); Colchester Borough Council business rates (September 09); 2009 data national from British Retail Consortium reported by BBC, 21 July 2009.

8.7 Recent, current and planned developments in the town centre

- The re-development of the 210,000 sq ft Lion Walk shopping centre is designed to create larger units and more modern frontages, encouraging in new retailer representation, and boosting current demand. The level of investment for this work is £5 million.
- Culver Square's management is actively seeking suitable occupiers for the loss of Woolworth's and Zavvi, key locations within its retail footage.
- Early last year Williams & Griffin's position and name was secured through its acquisition by Fenwick, the department store chain, for an undisclosed sum. The store plays an important part in drawing shoppers into the Borough and supports related expenditure across the Town centre.
- Demand for property is high, with 37 commercial letting enquiries, against an average of 22 for other regional retail centres (Source: Priory walk investment summary: Fenn Wright, July 2009).
- In Queen Street, the first phase of the award-winning design, by architects Ash Sakula, will transform derelict properties in the St Botolph's development which will see the redevelopment of the former Keddie's department store as a hotel with ground floor retail units, and the refurbishment of the adjacent St James' House as a "Creative Business Hub" for an array of creative businesses, including digital/web based/design and technical innovation.
- This will be followed by complementary mixed-use projects on the former bus station site, totalling 100,000 square feet of residential and 20,000 square feet of retail and leisure.
- Both of these developments are likely to commence before the end of this year, and with the completion of the Visual Arts Facility, will provide the planned regeneration boost to begin to turn the area from being a declining secondary shopping location into a primary town centre location.
- The key element in regenerating St Botolph's will be the Vineyard Gate scheme (which has been held back by the recession's impact on finance for shopping centre investment). This development will provide over 500,000 square feet of retail space with a large format 'anchor' store and around another 60 units, some of which are planned to be

available to small, independent retailers. This project is still in the pipeline and is expected to go forward as the market recovers.

- The redevelopment of St Botolph's within the Town centre is estimated to generate 2,924 full-time equivalent jobs in total. (Colchester Borough Council calculation).
- Full development of the Vineyard Gate retail complex plus the Cultural Quarter will account for 2,618 of these jobs, of which perhaps 200 will be in the hotel and catering sector.
- Adjoining developments, including two hotels and several restaurants will provide a further 261 jobs in hotel and catering. This area will therefore deliver 100% of planned retail job growth and at least 20% of hotel and catering requirements to meet the 2021 jobs target set for the Borough in the Regional Spatial Strategy.

¹ The IPOD generation (Insecure, Pressurised, Over-taxed and Debt-ridden) 18 to 34 year olds were first identified by the think-tank Reform, and also investigated within several research papers and news reports as the most vulnerable to the effects of the credit crunch. The Joseph Rowntree foundation identified the late teens and early twenties at greater risk of poverty than all groups other than young people and pensioners.

² Other reports which identify IPODs as worst hit are Mosaic projects into housing service customers, new council tax and housing benefits claimants and council tax arrears cases. There are also several reports and presentations available on the IPOD generation in the borough. For more information, please contact Cheryl Pashley in the Research and Engagement team Cheryl.Pashley@colchester.gov.uk or on 01206 505390.

³ NEET are those young people aged 16 to 18 Not in Education, Employment or Training. This is shown as adjusted numbers (which account for seasonal rises) to put the figures into perspective. Of those leaving school last year in Colchester 82.1% continued in full-time education at 1 November 2008; 11.3% were in work, training or voluntary opportunities; 5.3% were NEET. (Essex County Council -Connexions data)

⁴ VAT registered businesses are those who either opt in to be eligible for tax on items they buy or sell, or have a turnover of more than £68,000 per year. They must provide and retain VAT receipts to customers and from other businesses.