Pennine Lancashire

Quarterly Intelligence Report

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KEY MESSAGE – PENNINE LANCS

OVERVIEW

- The economic growth in the UK remains flat. Nationally, manufacturing signals contraction for the first time in two years in July. Output growth slowed to near stagnation with weaker domestic market conditions leading to reduced new order inflows. Job losses (including PL) reported for the first time since March 2010. Other Sectors not so prosperous, particularly with impacts felt across retail (see page 4).

HOUSING

- Pennine Lancashire house prices remain very sensitive to expected changes to interest rate levels, low mortgage availability, low confidence within the housing market, fixed incomes and redundancies. Prices fell by -6.2% in March 2011 to £118,849, a sharp fall when compared to the previous quarter average of £126,641 but 9% higher than the previous year. Sales have fallen by 23% from 1,362 in March to 1,064 in June 2011. Further price declines are expected across Pennine Lancashire in 2011 (see page 6).

- Private house building should grow, albeit relatively slowly, over the next five years. Consumer confidence has fallen, but the demand for ownership means that housing starts should rise over the next five years. Conversely, public housing is going to fall sharply over the five years due to lack of funding and the government's change in focus from 'social housing', which is publicly funded, to 'affordable housing' to be primarily funded privately (see page 7).

- Mortgage possession claims leading to orders[1] has decreased across Pennine Lancashire in Q1 2011 when compared to the previous year with the exception of Pendle. However, Pennine Lancashire authorities (except Ribble Valley) rate per 1,000 households, far exceeds the regional and national rate despite Government's Support for Mortgage Interest [SMI]. Research by Shelter highlights Pennine Lancashire as a high risk area (see page 8).

- Landlord repossession figures remain high although this has reduced when compared to the previous year. BwD is the only Pennine Lancashire local authority which exceeds both regional and national rate per 1,000 households with no changes in the rate from the previous year. 1.1 in every private rented 1,000 households at risk of repossession (see page 9).

- Fuel poverty levels had increased particularly in BwD between 2006-08. Recent rises by British Gas and Scottish Power are likely to be followed by other energy and utility companies to increase their pricing. This will affect households and have a detrimental impact upon health (see page 10).

ECONOMY

- Nationally, lending to businesses (particularly SME's) continue to fall despite Government attempts to increase banks lending to businesses through Project Merlin. Those small businesses which do manage to secure lending usually get charged rates above those charged to bigger businesses. This practice will hinder the growth of local economies (see page 11).

- Credit write off rates in business debt, mortgages and particularly consumer credit has eased in Q1 2011 following a surge prior, during and after the recession (see page 11).

INVESTMENT OBSERVATORY

- Mixed bag results across manufacturing with numerous expansions, job creation and increasing turnover but also job losses in Hollins Paper and McBride and smaller redundancies in other companies (page 13).

[1] One step before repossession

- In Pennine Lancashire, positive sector growth seen within the Business and Professional Services. This is largely as a result of new acquisitions, jobs growth and company mergers. However, this sector is reliant on other business sectors such as manufacturing or retail to perform well in order to service their growth needs (see page 12).

- Retail sector particularly affected with local closures although potential growth opportunities through internet and distribution (see page 12).

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- The job tracker recorded 462 jobs gained, 483 jobs lost and 150 safeguarded (see page 17).

EMPLOYMENT & SKILLS

- Claimant count has fallen by -326 (-3%) across Pennine Lancashire when compared to the previous month. This reflects regional and national trends. The greatest fall has taken place in Rossendale (-5.2%) with the least in Burnley (-0.3%). However, claimant count is still 4% higher than the same period (June 2010) last year (page 14).

- The number of people claiming JSA for more than 6 months has risen despite a fall in December 2010. This increase amounts to 775 claimants now falling into the long term unemployed. Youth unemployment remains high with fluctuating trends. This fluctuating movement can be accounted to the number of young people coming off Future Jobs Fund [FJF] as well as many young people entering study (due to a lack of employment opportunities). This reflects national trends (see page 15).

- The number of unfilled live vacancy has increased since December 2010 despite rising long term claimants. Jobs advertised include sales, care assistants, roles in manufacturing, customer service and debt collectors. Its either people don't want those jobs or there is a skills deficit issue (see page 16).

- Female claimant count has been on a rising trend since November 2010. The recent cuts in public sector may be part of the reason. Between June 2010 and June 2011, female claimant count in Pennine Lancashire has increased by +796 where male claimant count has fallen by -127 (see page 16).

- Job security remains low in public sector when compared to the private sector (page 17).

- Ribble Valley was the only Pennine Lancashire authority to record reductions in their GCSE A*-C pass rates (80.7%) in comparison to the 2008/09 results (80.1). In contrast, Hyndburn saw its rate increase by 7.2% to 77.1% (see page 18).

TRANSPORT

- Transport costs have a great impact upon apprentices especially those getting paid minimum wage. As Pennine Lancashire shares the same travel to work area, people often travel across local authority boundaries to work. A third of an apprentice's income (on minimum wage) may go on transport (page 19).

POPULATION

- The latest mid year population estimate for 2010 shows Blackburn with Darwen, Ribble Valley and Rossendale has increased their population from 2009. Hyndburn and Pendle have had no change with decline in Burnley by -300 (page 20).

NATIONAL OVERVIEW

The Bank of England's Monetary Policy Committee [MPC] has continued to keep UK interest rates on hold at a record low of 0.5%. Economists had expected no move in rates as the UK economic recovery remains weak. Growth has been flat in the Q2 2011 with a rise of 0.2%.

Over loaming global risk – The US debt can have significant impact across the globe… Currently the States are trying to come to a resolution to increase it debt ceiling.

SECTOR OVERVIEW

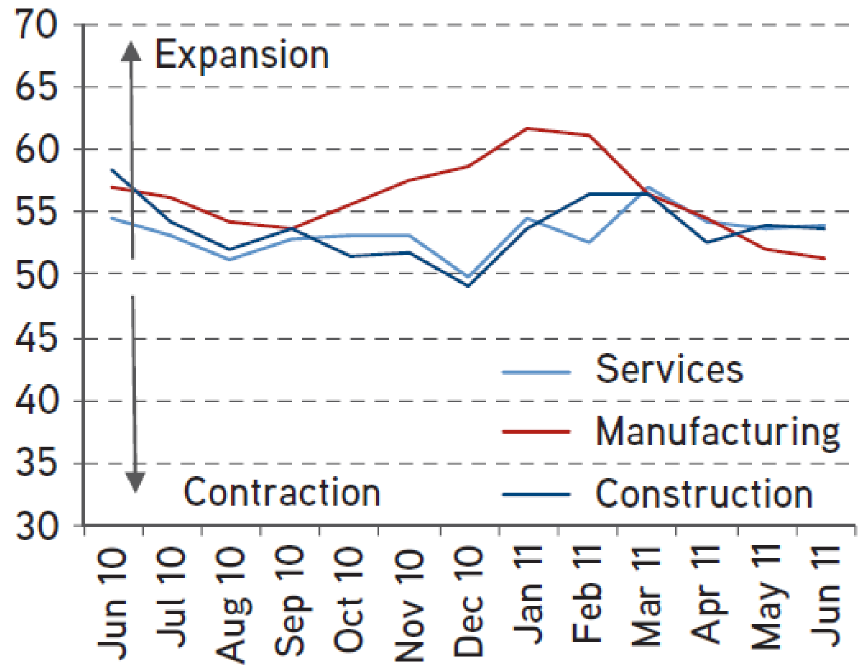
MANUFACTURING AND EXPORT

According to Markit/CIPS[2], Operating conditions in the UK manufacturing sector deteriorated for the first time in two years during July. Output growth slowed closer to stagnation, as new orders declined at the fastest rate since May 2009. The weaker performance of the sector impacted on the labour market, as manufacturers lowered employment for the first time in 16 months. At 49.1 in July, down from a revised reading of 51.4 in June, the seasonally adjusted Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) posted its weakest reading since June 2009. Output rose only marginally in July, with the rate of expansion the least marked in the current 26-month period of growth. Underlying the slowdown was a reduction in the level of new orders received.

New business declined for the second time in the past three months and at the fastest pace for over two years. This mainly reflected lacklustre domestic market conditions, as levels of new export business rose for the tenth straight month. Companies reported improved sales to Australia, China, East Asia, New Zealand and the USA. Manufacturing employment declined slightly in July, representing a marked turnaround from the survey record jobs growth seen only five months earlier. Backlogs of work continued to fall despite the reduction in staffing levels. Companies reported that weaker inflows of new work freed up capacity to divert towards progressing existing contracts. Price pressures eased further in July, as inflation of input costs and output charges eased to the weakest rates since December 2009 and last November respectively.

Manufacturers linked slower input price increases to recent falls in the cost of plastics and steel. The rate of inflation nonetheless remained above the long-run average, amid reports of higher prices for metals, packaging, paper products and power. Part of the increase in costs was passed on to clients in the form of higher selling prices. Output charges rose for the twenty-first successive month, and across all of the sectors covered by the survey. July data signalled that supply-chain disruption eased sharply, as average vendor delivery times lengthened to the least extent for two years. Where an improvement in supplier performance was reported, this was linked to lower demand for certain raw materials.

Figure 1.1 Purchasing Managers Index – Upto June 2011



Source CPI/Markit

[2] Chartered Institute of Purchasing & Supply

CONSTRUCTION

In June, the Market/CIPS Construction Purchasing Managers Index [PMI] showed a slower expansion in new orders in the sector. Construction industry had seen growth over the spring 2011 but the recent slowdown as well as sharp job cuts in June 2011 over the last five months shows little optimism for future activity.

Some observers suggest that the main effects of the public spending cuts, would have kicked in from April 2011 but, due to contracts signed up to that point, won't see the main drop off in public sector construction work until towards the end of the year. Nationally, the next two years (2012-14), private sector recovery should compensate for the downturn in public sector construction for the industry although this may be more difficult to achieve within Pennine Lancashire. Future construction growth should be expected in private housing, commercial and industrial sectors, in addition to further growth in infrastructure. Growth in energy sector is likely to be driven by growth in nuclear (including decommissioning) and demand for renewable energy. This will require construction skills. Pennine Construction companies need to take advantage of the opportunities present within this sector.

SERVICES

The Market/CIPS Services PMI had highlighted sustained solid growth in the UK service sector as volumes of new businesses raised in June. However, job creation in the service sector remains weak as businesses are reluctant to employ due to poor economic outlook. The scope for the private sector to make up public sector layoffs still looks limited meaning unemployment could remain high for some time. This sector is pivotal to the wider economy as it supports nearly two thirds of all jobs across the UK.

RETAIL

Retail sales crept up 0.3% in June 2011 compared to the previous month according to ONS. However, this could be as a result of early summer sales taking palce which is masking a weaker market. Recently, there has been a run of bad news from the High Street, with Habitat, TJ Hughes, fashion chain Jane Norman, Focus DIY and kitchen and bathroom company Homeform all having gone into administration. Also Argos reported losses while partner company Homebase announced gains.

There is also the prospect of higher energy prices affecting productivity and profits. Scottish Power has said it will increase gas prices by 19% and electricity bills by 10%. Its rivals including British Gas are expecting to increase its prices due to rises in wholesale gas price. This will not only affect residential but also commercial businesses especially those dependent on energy e.g. manufacturing.

HOUSING

HOUSE PRICES/SALES

Housing market stagnation continues with little sign of a decisive upward or downward trend (figure 2.1). House prices in Pennine Lancashire fell by -6.2% in March 2011 to £118,849, a sharp fall when compared to the previous quarter average of £126,641. Comparatively, this mirrored regional and national trends with the average house price in England falling by -5.6% from the previous quarter, however increased by 5.5% the year before.

Across Pennine Lancashire, the average house price varied from £82,761 in Burnley to £197,274 in Ribble Valley. Figure 2.2 highlights that over the year, house prices have shown significant variation – rising the most in Pendle (+10.8%) and falling in Burnley (-5.3%).

Sales had decreased across Pennine Lancashire to 1,046 when compared to 1,362 the previous quarter. This compares to sales in excess of 3,000 prior to the credit crunch.

Figure 2.1 House Price/Sales time series in Pennine Lancashire

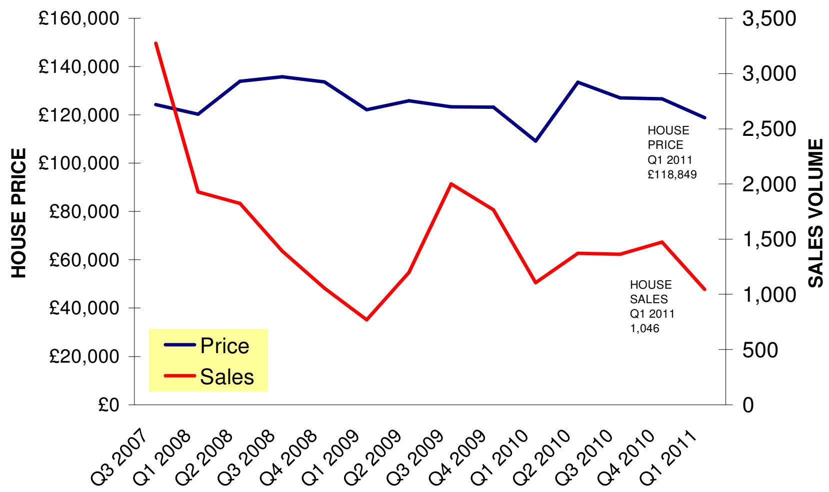


Figure 2.2 Q1 2011 House Prices and Sales table

AREA	AV PRICE	QUARTER	ANNUAL	SALES
ALL PROPERTIES				
Blackburn with Darwen	£110,314	-1.4%	-0.2%	245
Burnley	£82,761	-5.1%	-5.3%	182
Hyndburn	£92,490	-9.7%	4.6%	183
Pendle	£105,680	-5.2%	10.8%	193
Ribble Valley	£197,274	-10.7%	-0.2%	103
Rossendale	£124,574	-1.2%	3.5%	140
Pennine Lancashire	£118,849	-6.2%	8.9%	1046
Lancashire LEP	£139,304	-6.8%	-4.5%	2,348
North West	£151,355	-4.5%	-1.2%	11853
England	£232,628	-5.6%	5.5%	164407
TERRACED				
Blackburn with Darwen	£83,029	-1.8%	-1.8%	130
Burnley	£57,690	-0.7%	-13.2%	123
Hyndburn	£76,160	-3.9%	9.5%	116
Pendle	£78,153	-5.9%	15.0%	126
Ribble Valley	£139,904	-6.3%	-0.1%	43
Rossendale	£96,484	11.3%	8.8%	82
SEMI-DETACHED				
Blackburn with Darwen	£123,269	-6.5%	-3.4%	67
Burnley	£120,678	3.2%	0.5%	37
Hyndburn	£110,551	-9.4%	-16.8%	50
Pendle	£134,028	-0.4%	2.5%	44
Ribble Valley	£188,759	-14.9%	4.9%	26
Rossendale	£129,671	-7.4%	9.5%	30
DETACHED HOUSES				
Blackburn with Darwen	£217,399	1.1%	5.8%	30
Burnley	£185,641	-1.9%	4.5%	17
Hyndburn	£167,932	-3.8%	-5.5%	13
Pendle	£224,828	-2.9%	-10.4%	19
Ribble Valley	£307,076	-11.6%	-6.3%	28
Rossendale	£220,649	-2.7%	9.6%	24
FLATS/MAISONETES				
Blackburn with Darwen	£80,671	-11.2%	1.1%	18
Burnley	£69,141	19.4%	63.3%	5
Hyndburn	£95,122	N/A	14.30%	4
Pendle	£95,000	120.1%	26.1%	4
Ribble Valley	£132,916	1.6%	-19.4%	6
Rossendale	£85,749	1.1%	-49.9%	4

Source Land Registry

Pennine Lancashire authorities perform within the bottom 300 for the lowest house prices (figure 2.3). This is reflective of the types of housing (dominated by terraces).

Figure 2.3 Q1 2011 National ranking by local authority

	AREA	AV PRICE	QUARTER	ANNUAL	SALES
1	Kensington and Chelsea	£1,337,029	-0.40%	5.80%	562
2	City of Westminster	£985,139	16.10%	16.00%	766
3	Camden	£812,104	11.70%	8.20%	562
4	Hammersmith and Fulham	£644,844	11.70%	6.20%	551
5	Elmbridge	£620,096	15.50%	19.30%	451
173	Ribble Valley	£197,274	-10.70%	-0.20%	103
312	Rossendale	£124,574	-1.20%	3.50%	140
336	Blackburn with Darwen	£110,314	-1.40%	-0.20%	245
338	Pendle	£105,680	-5.20%	10.80%	193
344	Rhondda Cynon Taff	£94,727	-15.20%	-5.90%	448
345	Stoke-on-Trent	£93,839	-5.50%	1.40%	443
346	Hyndburn	£92,490	-9.70%	4.60%	183
347	Burnley	£82,761	-5.10%	-5.30%	182
348	Blaenau Gwent	£76,108	-5.60%	1.00%	96

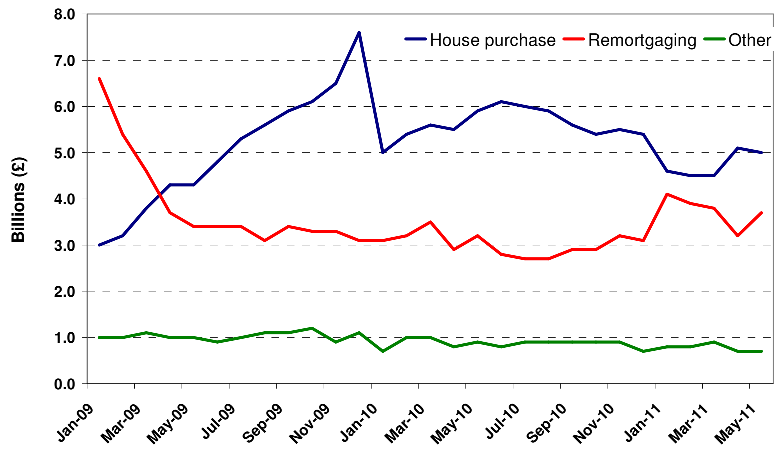
Ranking out 348 local authorities

LENDING

The Bank of England *Credit Conditions Survey* 2011 Q2 highlighted *'Demand for secured lending for house purchase had increased a little, having sharply declined for two quarters'*. However, the rise for secured lending should not be regarded as an increase in the strength of the property market or an improvement in the number of first-time buyers according to Council of Mortgage Lending. Increases in remortgaging rather than house purchase had taken place due to uncertainty around Bank of England interest base rate rises. Figure 2.4 highlights the increase in remortgaging in the latest quarter between April-June 2011.

Also, nationally, demand for buy-to-let lending had increased in Q1 2011. Buy to let increase may be as a result of falling house prices with future speculative demand expected. Future trends suggest more people will be renting due to the cost and difficulty of owning a property.

Figure 2.4 Mortgage lending by the major UK lenders



Source Bank of England

HOUSE BUILDING

House building has slowed down across the country due to the inaccessibility to easy credit as was available prior to the credit crunch and recession. Figure 2.5 shows the number of dwelling started and completed in Pennine Lancashire in the financial year 2010/11. Private developers continue to lead on house building developments. BwD, Ribble Valley and Rossendale had the greatest number of dwellings starts in 2010/11.

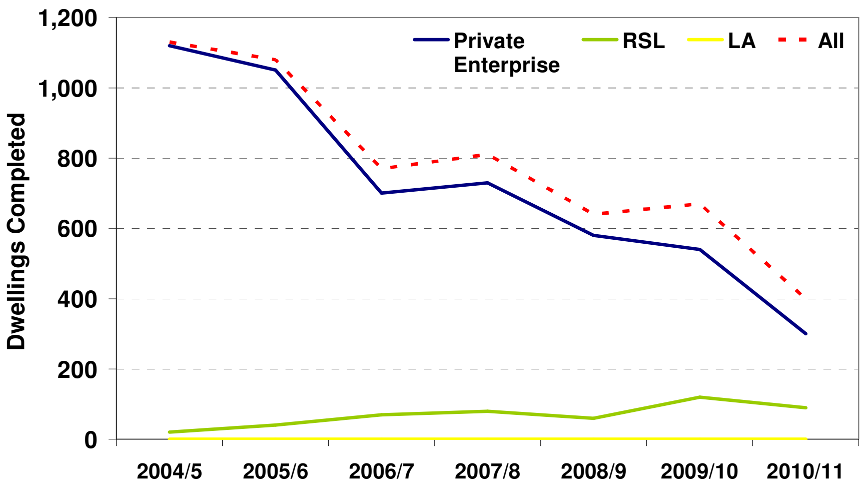
Figure 2.5 House building: permanent dwellings started and completed, by tenure 2010/11

2010/11	Dwellings started				Dwellings completed			
	Private Enterprise	RSL	LA	All	Private Enterprise	RSL	LA	All
BwD	120	0	0	120	120	70	0	190
Burnley	40	0	0	40	60	10	0	70
Hyndburn	..	..	..	..	..	..	..	..
Pendle	20	0	0	20	20	0	0	20
Ribble Valley	70	0	0	70	20	10	0	40
Rossendale	90	0	0	90	80	0	0	80

Source Communities Note: Hyndburn figure unavailable

Conversely, public housing is expected to fall sharply over the five years due to lack of funding and the government's change in focus from '*social housing*', which is publicly funded, to '*affordable housing'* to be primarily funded privately. This will affect Pennine Lancashire as trends highlight an increase (although low number of units) in RSL house building construction across Pennine Lancashire.

Figure 2.6 Dwellings completed in Pennine Lancashire



Source Communities
**Excludes Hyndburn figure for 2008/09 and 2010/11*

FUTURE HOUSING MARKET PROSPECTS

Viewpoint: House prices remain very sensitive to interest rate levels, mortgage availability and income freeze. Risk of repossession and difficulty in mortgage availability will continue to affect the market. This will provide opportunities for buy-to-let and cash investors as further price declines are expected across Pennine Lancashire for the rest of 2011.

REPOSSESIONS

The latest mortgage possession claims leading to orders[3] (figure 2.7) had decreased across Pennine Lancashire in Q1 2011 when compared to the previous year with the exception of Pendle. Comparatively, regional and national figures increased. However, Pennine Lancashire authorities (except Ribble valley) rate per 1,000 households, far exceeds the regional and national rate despite Support for Mortgage interest [SMI] scheme. Research by Shelter highlights Pennine Lancashire as a high risk area (figure 2.8) along with the northern arc of Greater Manchester.

Figure 2.7 Mortgage and landlord Possession leading to Orders Q1 2011

	Mortgage possession claims leading to orders			Landlord possession claims leading to orders		
Q1 2011	Total	% Change in total since 2010 Q1	Per 1,000 households	Total	% Change in total since 2010 Q1	Per 1,000 households
BwD	45	-18%	0.83	60	0%	**1.11**
Burnley	40	-5%	1.11	30	-19%	0.83
Hyndburn	35	-13%	1.06	25	-19%	0.76
Pendle	35	19%	0.95	20	-	0.54
Ribble Valley	10	-	0.42	-	-	-
Rossendale	30	-7%	1.07	25	-	0.89
Lancashire	395	2%	0.80	380	-3%	0.77
North West	2,385	5%	0.81	2,950	3%	1.01
England	13,520	3%	0.62	23,700	10%	1.09

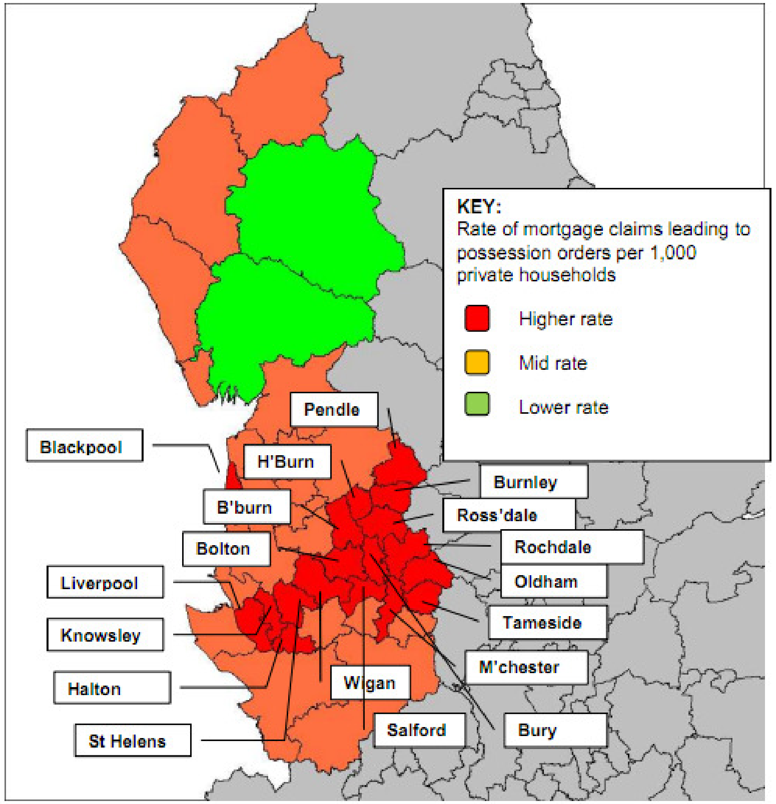
Source Ministry of Justice

It is necessary for Government to continue to support the SMI scheme. At present this is calculated at Bank of England monthly average mortgage interest rate (varies approx around 3.6%) if payments exceed this percentage, the mortgage holder would be liable to pay the difference. Local authorities could ensure they work with residents in understanding the process and helping reduce the number of repossessions.

[3] One step before repossession

Landlord repossession figures remain high although this has reduced when compared to the previous year across Pennine Lancashire. BwD is the only Pennine Lancashire local authority which exceeds both regional and national rate per 1,000 households with no changes from the previous year (figure 2.7).

Figure 2.8 Rate of Mortgage Claims leading to Possession order per 1,000 private households



Sources: PO rates: Ministry of Justice statistics, May 2011; Private households, DCLG Housing Live Table 100, DCLG website. Contains Ordnance Survey data © Crown copyright and database right 2011.

Source Shelter

Eviction and repossessions may in many cases be the result of a lengthy spell of financial difficulties as many will accumulate arrears prior to being evicted. Households with certain characteristics are significantly more likely to experience financial problems with their housing. For example, households with younger heads are at greatest risk of having mortgage arrears. Marriage breakdowns are associated with mortgage arrears and the divorced are more at risk of indebtedness than married people. Financial circumstances clearly play a central role and those who are in employment face a lower risk of facing housing payment problems than those without a job[4]. Those in self employment pose the greatest risk from repossession with secured debts and income dependent on the business assets.

Research by Shelter also shows a surge in the number of people suffering from stress and depression due to higher housing costs. The YouGov survey found 18 million people (38%) in Britain believe housing costs cause stress and depression in their family. This is a rise of seven million people (15%) since 2009. Shelter commissioned YouGov to investigate how the risk of repossession and rent rises are affecting people. The survey also found that:

- More than 13 million people (28%) said they keep up with their rent or mortgage without any difficulty, a drop from 19 million people (41%) in 2009.
- 12 million people (26%) have reduced the amount they spend on food to help pay their housing costs.

A recent report from the NHS Prescription Services showed prescriptions for anti-depressant drugs such as Prozac have risen by more than 40 per cent over the past four years because of the economic pressures people are under.

[4] Boheim R. Taylor M, 2000. My home was my castle: Evictions and repossessions in Britain, IESR

FUEL POVERTY

A household is said to be in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms)[5].

Recent headlines in rising Energy prices from both Scottish Power and British Gas will have a detrimental impact on residents by bringing more people into fuel poverty. This will have an adverse effect on health and housing.

Blackburn with Darwen has seen an increase in fuel poverty between 2006 and 2008 sharper than any other local authority in Lancashire. Similarly, West Lancashire and Chorley have also seen a sharp increase. This old datasets will not take into account the impacts from the recession and continued rise in energy and fuel prices since 2008 which means we can expect these figures to be a lot higher.

Figure 2.9 Fuel Poverty by household 2006-08

Local Authority	2006	2008	Change
BwD	**13.5%**	**19.6%**	**+6.1%**
Blackpool	20.9%	21.6%	+0.7%
Burnley	**17.9%**	**19.7%**	**+1.8%**
Chorley	11.5%	16.7%	+5.2%
Fylde	15.1%	15.9%	+0.8%
Hyndburn	**16.2%**	**19.0%**	**+2.8%**
Lancaster	20.0%	20.5%	+0.5%
Pendle	**17.8%**	**22.2%**	**+4.4%**
Preston	13.6%	18.4%	+4.8%
Ribble Valley	**16.7%**	**19.4%**	**+2.7%**
Rossendale	**14.2%**	**19.1%**	**+4.9%**
South Ribble	9.9%	14.1%	+4.2%
West Lancashire	12.3%	18.1%	+5.8%
Wyre	16.4%	18.2%	+1.8%
North West	**14.2%**	**18.1%**	**+3.9%**
England	**11.5%**	**15.6%**	**+4.1%**

Source DECC

[5] DECC.gov.uk

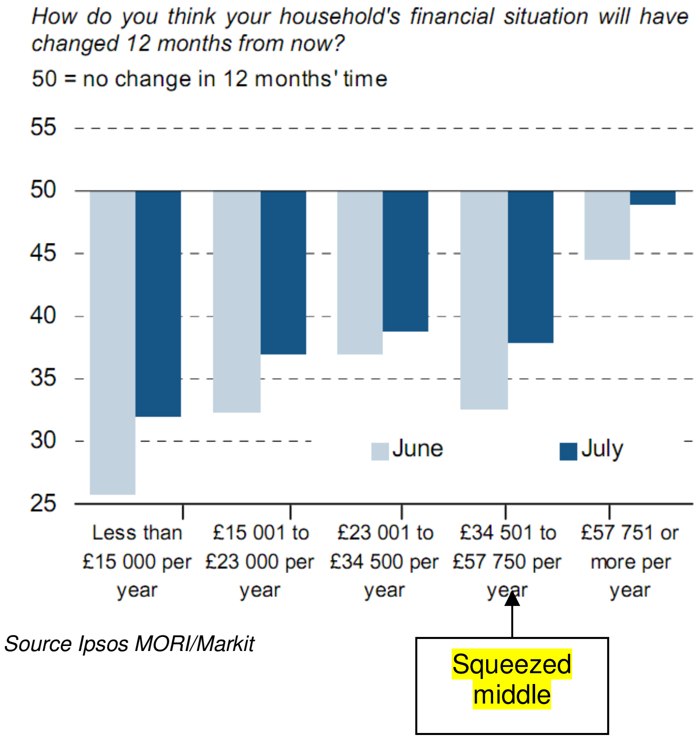
HOUSEHOLD FINANCE

The Markit Household Finance Index for July shows it is at its lowest point since March 2009. The survey shows there has been a record fall in disposable income. This in part reflected strong rises in the cost of living with high debt levels in July. Reduced savings and a fall in disposable income contribute to the strain on household finances.

Household assessment of future finances (June 2012) continue to seem pessimistic although improved from June 2011. Households expect stabilising incomes, reduced job insecurity and lower inflation expectations in 2012 (figure 2.10).

Income bracket between £34,501-£57,750 seem to be more worried than the previous bracket – the squeezed middle.

Figure 2.10 Household Finances, by Income group



Source Ipsos MORI/Markit

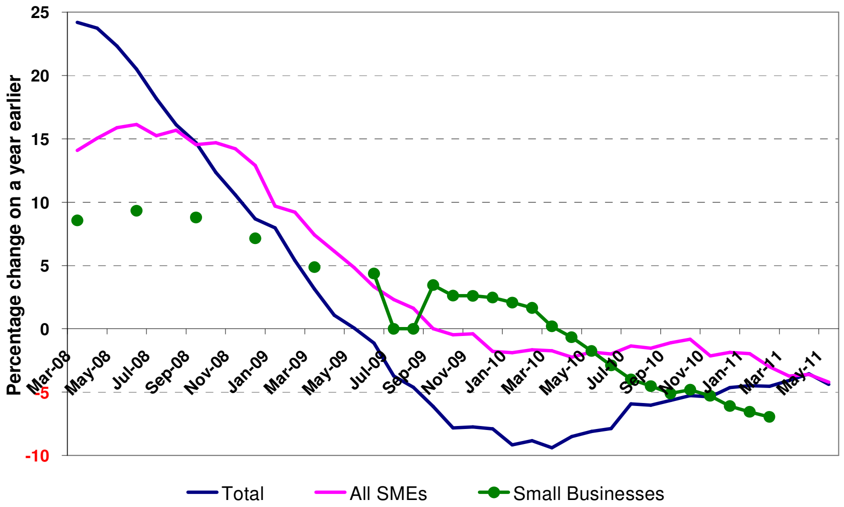
ECONOMY

BUSINESS LENDING

Lending to private businesses continue to fall. Despite the Government attempts to increase banks lending to businesses through Project Merlin, lending to SME continues to fall when compared to the previous year. Nationally, lending to small business was down 4.2% in May 2011 compared with the same month last year (figure 3.1).

Those small firms which do manage to secure lending are charged higher interest rates when compared with the previous year. For bigger firms, the rates and fees are better. If these trends continue, this will significantly impact on the ability for the national economic recovery.

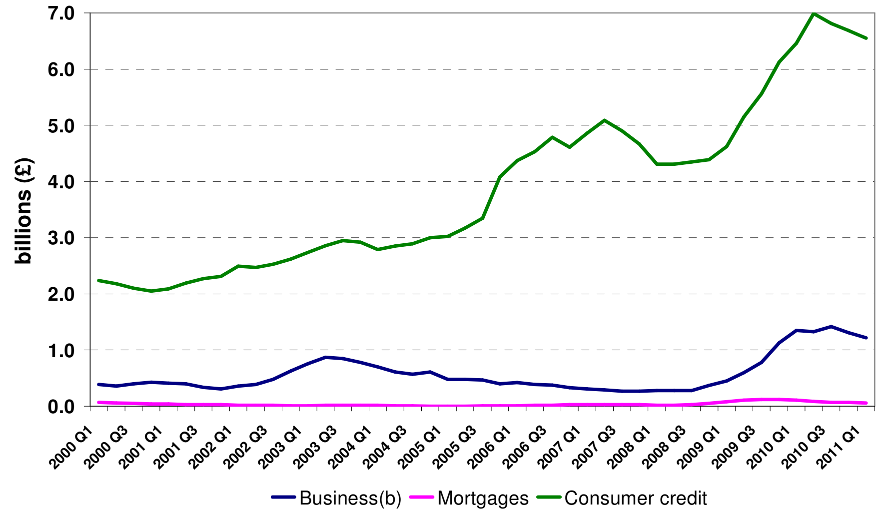
Figure 3.1 Lending to small and medium-sized enterprises



Source Bank of England

Positively, credit write-off have been falling since 2010 (figure 3.2) up to the end of 2009 from the aftermath of the credit crunch and during the recession. Mortgages, consumer credit and business loans had all been affected.

Figure 3.2 Write-off rates on lending to UK businesses and Individuals



Source Bank of England

INVESTMENT OBSERVATORY[6]

RETAIL

- **Original Factory Shop (Burnley)** - Growth plans to expand into 600 stores across the UK. Growth increased by 30.3% in 2011 from previous year[7]. Potential opportunity for internet sales and distribution.
- **DFS (Pendle)** – new store expecting to open
- **Market (Blackburn)** – 75% full within 2 months.
- **Euro Garage (Balckburn)** – Set for £110million expansion into the South of England market.

- **Davies Furniture** (Accrington) – store closure after 20 years with possible move into Blackburn.
- **Focus DIY** – administrators in and many store closures.
- **Heathcotes Grill and Bar** (Ribble Valley) – shut.

Viewpoint: **Retailers continue to face difficult trading conditions and tight margins. Until the VAT increase has worked its way through the system, and input price inflation eases, retailers will continue struggle.**

PROFESSIONAL AND BUSINESS SERVICES

- **Kitchener (Accrington)** has secured a contract from LCC worth £2.4million for PAT testing all offices and schools.
- **Daisy Group (Nelson)** The telecoms and data services provider to businesses has brought the assets of Telinet and Ipitomi businesses in a deal worth a combined £15.4 million.
- **Scancapture (Rishton)** has renewed contract with John Lewis Partnership to carry out its Annual Partner Survey until 2013.
- **Lanway (Burnley) –** IT equipment sale and support – 19.2% growth from 2009.
- **P2P Group (Blackburn)** creating 150 jobs by expanding its head office.
- **One Iota (Haslingden) –** partnership deal with Sage Pay to enable their users to pay online through mobile sites.
- **Science in Sport (Blackburn)** is within speculative buy bid from Liverpool based Provexis.
- **Training 2000 (Blackburn)** has landed a training contract with Jaguar Land Rover. Organisation responsible for key skills and apprenticeships at the firms Halewood plant in Merseyside.

- **Findel (Hyndburn)** a management restructure from accounting irregularities affecting both Express Gifts and Kleeneze.

Viewpoint: **Sector indicators are positive in Pennine Lancashire with new acquisitions, jobs growth and new partnerships. However, the impacts from retailers with weak profit expectations and public sector cuts are upholding further growth within this sector.**

MANUFACTURING

- **Weston EU (Colne)** produced aerospace and automotive components with a +20.4% increase in turnover from 2010.
- **Accrol (Blackburn)** has plans for a £6million plant investment that will create more than 50 jobs. Pre-tax profit increased from £1.9million for year to April 2009 to £4.5million in 2010.
- **Rolls Royce (Barnoldswick)** won a £315 million contract with Norwegian Airlines. The firm will supply Trent 1000 engines for Boeing 787 Dreamliner and also offer its TotalCare service. This will continue to support the 1,000 strong workforce.
- **MB Aerospace holdings (Burnley)** have sold its energy division MBAe Oil and Gas in a deal worth £8 million.
- **Farmhouse Biscuits (Nelson)** acquires primrose mill.
- **Veka (Burnley)** has purchased West Midlands based Bowater Building Products for an eight-figure sum.
- **BCW (Burnley) –** 50 new jobs with new £4million contract for Jaguar Land Rover, Aston Martin and Peugeot.
- **Weltonhurst (Blackburn)** - A plastics specialist is aiming to expand after agreeing a £3.7million finance package.
- **Crown paints (Darwen)** have been sold to global coating supplier, Hempel based in Denmark – jobs retained for now.

[6] Media Clippings
[7] Insider, Growth 100, June 2011

- **Promethean (Blackburn)** The technology firm has made some redundancies after a difficult year.
- **MBL Group (Lower Darwen)** A home entertainment distribution firm is set to axe a move into Pennine Lancashire after Morrison's cancelled a key contract.
- **Gardner Aerospace (Burnley)** is due to leave the area with its 120 men workforce.
- **Hollands pies (Baxenden)** – 10 job losses following takeover of Northern Foods.
- **Acorn Stone Merchants (Nelson) -** 10 jobs at risk of redundancy.
- **McBride (Burnley)** – 200 job cuts and closing plant.
- **Hollins Paper Mill (Blackburn)** – 116 jobs cut.
- **Cobham (Blackburn)** – 16 job cuts.

Viewpoint: **Mixed bag results within manufacturing with positive new contracts, acquisitions and increasing turnover. However, major job losses have also taken place including factory closures. National indicators highlight a contraction withn the sector with lack of new orders coming through. Inflation rises will affect traditional manufacturer's purchasing power which will negatively impact upon selling costs. Advanced manufacturers may continue to grow if a niche is held within the market as well as strengthening on exports.**

CONSTRUCTION

- **Blackburn Town Centre** public spaces refurbishments across the centre - £575,000.
- **Morrison Supermarket (Bacup)** – £3.5million new store development.
- **Asda (Darwen)** – £750k for alterations, conversion and fit out from a previous Netto store.
- **BT Braodband** – 20Mb roll out in **Clitheroe, Colne, Dawen, Gt Harwood, Whalley** and **Wilpshire**.

Viewpoint: **There are construction projects taking place across Pennine Lancashire which include public sector contracts carried forward from previous year. Sites which have been mothballed have been brought forward and due for completions. Going forward, infrastructure projects are likely to remain strong through utility and improving broadband provisions.**

EMPLOYMENT & SKILLS

CLAIMANT COUNT JUNE 2011

Claimant count has fallen -346 (-3%) across Pennine Lancashire when compared to the previous month (figure 4.1). This is seen across all districts within Pennine Lancashire with the greatest fall in Rossendale (-5.2%) and the least in Burnley (0.3%). This fall also reflects regional and national trends.

However, claimant count is still 4% higher than the same period last year (June 2010). This is largely due to an increase in claimants in Blackburn (+403), Burnley (+127) and Pendle (+73).

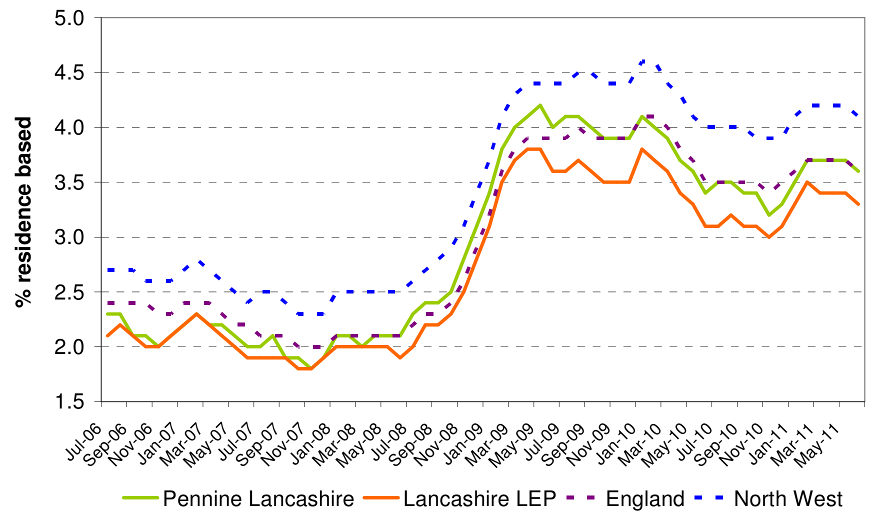
Figure 4.1 Claimant Count June 2011

June 2011	People aged 16-64									
	Males		Females		Total		Yearly change		Monthly change	
	Count	(%)	Count	(%)	Count	(%)	Count	%	Count	%
BwD	2,815	6.4	1,245	2.9	4,060	4.6	403	11.0	-96	-2.3
Burnley	1,594	6.0	797	2.9	2,391	4.4	127	5.6	-7	-0.3
Hyndburn	1,197	4.7	569	2.2	1,766	3.5	-9	-0.5	-146	-7.6
Pendle	1,310	4.6	585	2.1	1,895	3.3	73	4.0	-12	-0.6
Ribble Valley	274	1.5	143	0.8	417	1.2	-12	-2.8	-9	-2.1
Rossendale	944	4.4	433	2.0	1,377	3.2	87	6.7	-76	-5.2
Pennine Lancs	**8,134**	**4.6**	**3,772**	**2.2**	**11,906**	**3.4**	**669**	**4.0**	**-346**	**-3.0**
Lancashire LEP	21,259	4.6	9,480	2.1	30,739	3.3	2,039	7.1	-556	-1.8
North West	127,813	5.7	57,003	2.6	184,816	4.1	7,541	4.3	-1,112	-0.6
United Kingdom	1,007,544	5.0	485,533	2.4	1,493,077	3.7	48,981	3.4	-11,836	-0.8

Source Lancashire Profile

Pennine Lancashire claimant count has increased from 2% in June 2007 to 3.6% in June 2011 – nearly double the claimant count. Pennine Lancashire has followed the trends with the national average and had a lower proportion than the regional average (figure 4.2). It is expected that more people may join Job Seekers Allowance as more get transferred from Employment Support Allowance [ESA] as a result of Work Capability Assessment [WCA] if fit to work. However, the new Work Programme should increase and support the number of long term job seekers into sustainable jobs, bringing the number of claimants down.

Figure 4.2 Changes in Unemployment



Source ONS

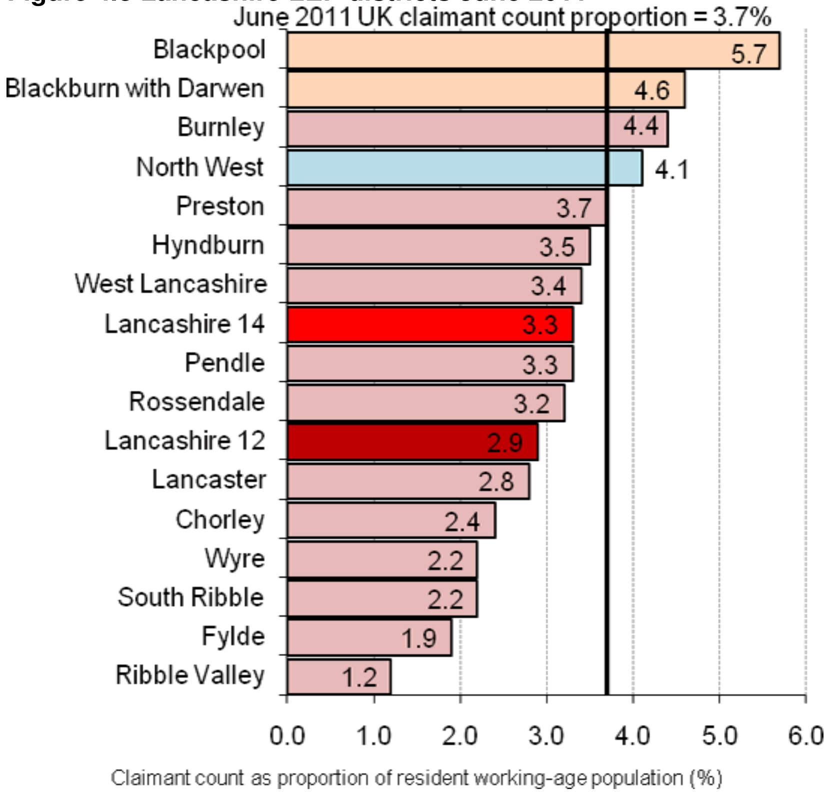
Figure 4.3 shows the Lancashire LEP individual district claimant count as a proportion of the total district working age residents. Blackpool features top at 5.7% with Ribble Valley at 1.2%. When compared to the North West, Burnley, BwD and Blackpool feature above the regional average. Hyndburn, Pendle, Ribble valley and Rossendale perform better than the regional average.

Recent changes in welfare reforms will be more evident over the coming months as new data is released. The introduction of the Work Programme, a payment by results system will be responsible to get people back into work. The Work Capability Assessment [WCA] for Incapacity Benefit will also measure those coming off Incapacity benefit and transferred onto

Employment Support Allowance – either work related activity or support group depending on their ability to work.

Recent media reports suggest that many have been deemed fit to work that have serious medical illness and the Government is trying to save money[8] [9].

Figure 4.3 Lancashire LEP districts June 2011



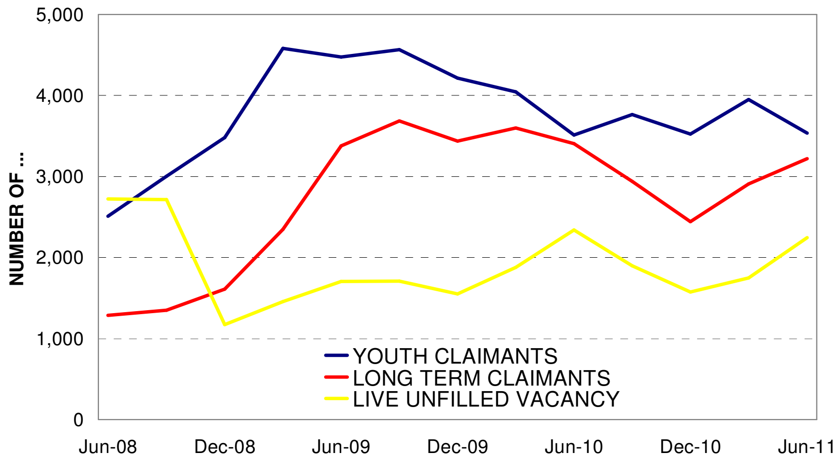
Source Lancashire Profile

YOUTH, LONG TERM CLAIMANTS AND UNFILLED VACANCIES

Pennine Lancashire is suffering from long term unemployed claimants. The number of people claiming for more than 6 months has risen despite a fall in December 2010. This increase amounts to 775 claimants now falling into the long term unemployed. Youth unemployment remains high with fluctuating trends. This fluctuating movement can be accounted to the number of young people coming off Future Jobs Fund [FJF] as well as many young people not going into employment (lack of opportunities) and entering study. This reflects national trends.

Separately, the number of unfilled live vacancy has increased since December 2010 despite rising long term claimants. It's either people on long term benefits don't want those jobs or there is a skills deficit which prevents them from accessing these jobs (figure 4.4). Either way, there still more claimants than jobs and in Pennine, for every 1 job there are 5 claimants.

Figure 4.4 Youth claimants, long term claimants and unfilled vacancies



Source ONS

Those notified vacancies which are advertised through Job Centre Plus can be seen in Figure 4.5. It highlights the top 20 notified vacancies within

[8] http://www.bbc.co.uk/news/business-14280849
[9] http://www.guardian.co.uk/politics/2011/jul/26/fit-to-work-tests-flawed

Pennine Lancashire. Jobs in sales, manufacturing, distribution, services, health and debt collection seem to be in demand. Please note: it is estimated that Job Centre only displays 20% of total job vacancies advertised. Other sources include recruitment agencies, individual company websites, word of mouth etc.

Figure 4.5 Notified Vacancies June 2011

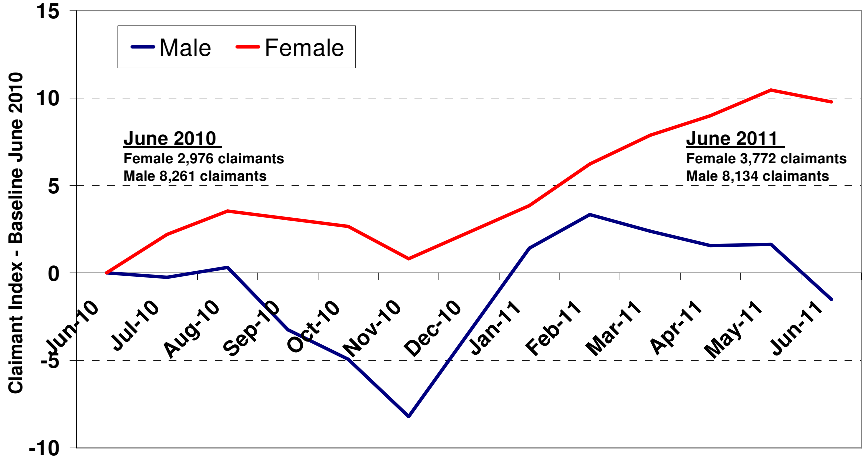
	Total Notified Vacancies by Occupation	2,330
1	Sales representatives	208
2	Care assistants and home carers	196
3	Telephone salespersons	129
4	Sales related occupations n.e.c.	127
5	Metal machining setters and setter-operators	112
6	Cleaners, domestics	74
7	Heavy goods vehicle drivers	72
8	Other goods handling and storage occupations n.e.c.	68
9	Customer care occupations	63
10	Collector salespersons and credit agents	55
11	Welding trades	52
12	Sales and retail assistants	44
13	General office assistants/clerks	41
14	Call centre agents/operators	37
15	Marketing and sales managers	35
16	Packers, bottlers, canners, fillers	34
17	Accounts and wages clerks, book-keepers, other financial clerks	33
18	Chefs, cooks	31
19	Fork-lift truck drivers	31
20	Nurses	30

Source ONS JCP+

Employment Inequality by Gender

Although claimant count has slightly fallen in Pennine Lancashire, Female claimant count has been on a rising trend since November 2010. The recent cuts in public sector may be part of the reason for this. Between June 2010 and June 2011, female claimant count in Pennine Lancashire has increased by +796 where male claimant count has fallen by -127 (figure 4.6).

Figure 4.6 Claimant count by Gender



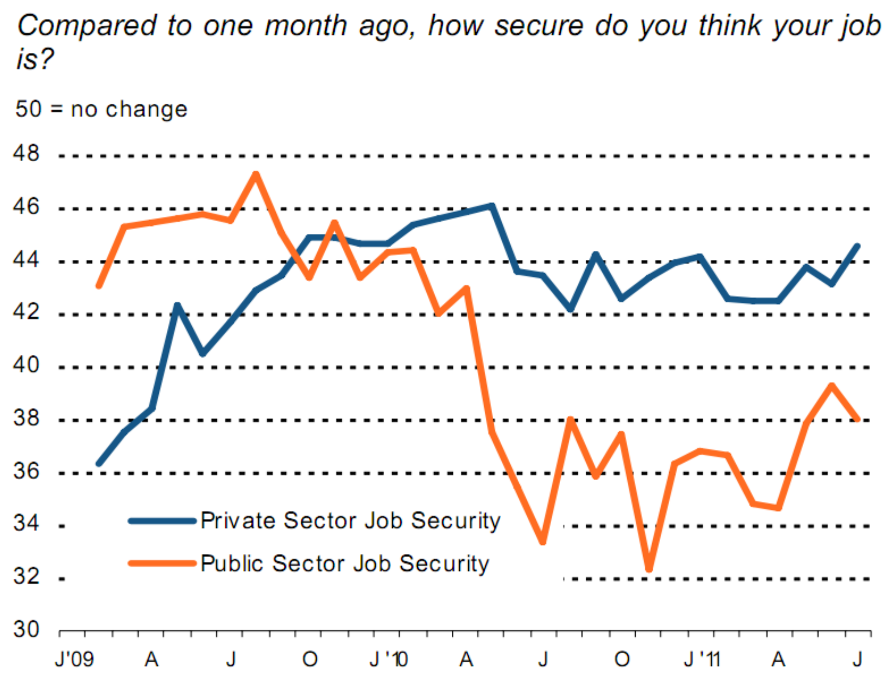
Source ONS

Employment Confidence

Although the retail sector is suffering, the small growth in construction has provided greater optimism of job security within private sector jobs compared to the public sector. Both sectors remain within the uncertain within a weak economy (figure 4.7) although the private sector hold greater confidence compared to the public sector.

According to the Office for Budget Responsibility, the private sector should balance public sector job losses by 2016. Further analysis will be carried out in future reports.

Figure 4.7 Job Security in Private and Public Sector



Source Markit Ipsos MORI

Job Tracker

The Pennine Lancashire Job tracker measures the number of job gains and losses across the sub region using anecdotal evidence collected from media reports. The latest snapshot highlights 462 jobs gained, 483 jobs lost and 150 safeguarded (figure 4.8).

The big losses have been seen within the manufacturing sector. This includes Gardner Aerospace, Hollins Paper mill, Cobham and McBride. It is worth noting that Pennine Lancashire shares the same travel to work areas. Although the jobs may be at particular districts, it will affect neighbouring districts where often many employees reside.

Figure 4.8 Pennine Lancashire Job Tracker June – Aug 2011

2011	June	July	Aug
BwD	Accroll (+50)	Focu (-?); P2P Group (+150)	Hollins Paper Mill (-116); Cobham (-19)
Burnley	Gardner (-120)	Focus (-?); Wynsors (+30); Viva (+2); Fort Vale (+80)	BCW (+50); Sweet Dreams (150); McBride (-200)
Hyndburn		Remploy (-?)	Sureframe (-8)
Pendle		Acorn Stone (-10)	Argos (-?)
Ribble Valley		New Call Telecoms (+100)	
Rossendale		Focus (-?)	

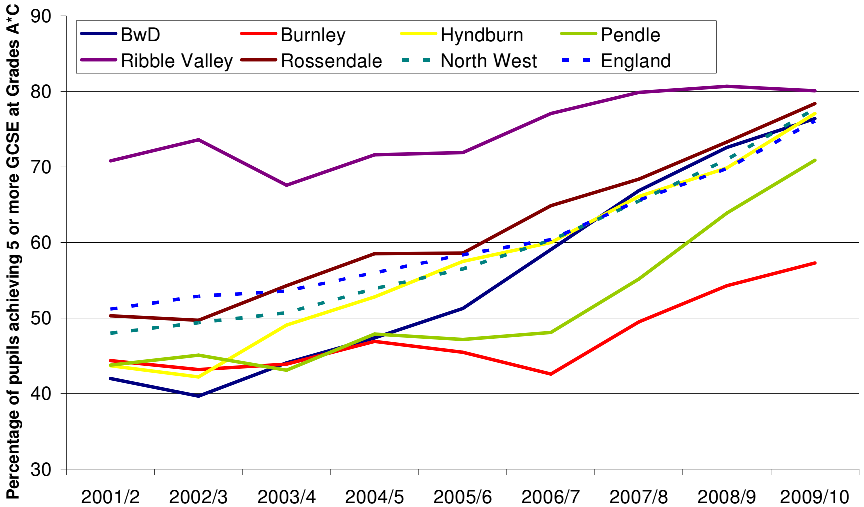
Source News clippings

GCSE Results 2009/10

Ribble Valley was the only Pennine Lancashire authority to record reductions in their pass rates in comparison to the 2008/09 results from 80.7% to 80.1%. In contrast, Hyndburn saw its rate increase by 7.2% points to 77.1%. Across the Lancashire LEP area, South Ribble was up by 8.2% percentage points and Preston by a very substantial 10.8 percentage points.

Figure 4.9 emphasises the increases in GCSE pass rates between the 2001/02, and the 2009/10 academic years. Pennine Lancashire local authorities have all improved from their positions from 2001/2. However, Burnley and Pendle continue to perform behind both regional and national average.

Figure 4.9 Skills – GCSE results time series results by Pennine Lancashire



Source Lancashire Profile

Education and GCSE results are a key driver in attracting people and families into an area. Those areas which have good GCSE results are more likely to attract inward investment, whether in housing development, economic development or place shaping.

Figure 4.10 highlights the GCSE A*-C results 2009/10 which includes English and Maths. It highlights that these core subjects need stronger focus and particularly needed in skilled roles.

Figure 4.10 Skills – GCSE A*-C results 2009/10 including English and Maths

	Pupils at the end of Key Stage 4		
	Number of pupils	Percentage achieving 5+ GCSEs/GNVQs at grades A*-C	Percentage achieving 5+ GCSEs/GNVQs at grades A*-C including English and Maths
BwD	1,871	76.4%	52.7%
Burnley	1,055	57.3%	40.0%
Hyndburn	1,069	77.1%	51.6%
Pendle	1,050	70.9%	50.5%
Ribble Valley	675	80.1%	67.3%
Rossendale	875	78.4%	59.1%
North West	81,357	77.7%	55.2%
England	577,810	76.1%	55.1%

Source Lancashire Profile

TRANSPORT

Individual spatial mobility is influenced by a variety of different factors. Travel time, travel costs and travel frequency can have a negative effect on people commuting between 2 places. The cost of transport has an impact on educational and employment activity. Cost of travel is deemed a barrier to work especially if it outweighs the benefits of working or learning.

Across Pennine Lancashire, daily travel costs start from £4.50 (mostly return) which is close to an hours pay or 2 hours pay for an apprentice.

Figure 5.1 Sample of Travel Costs and Fares (Peak)

Sample Bus/Train Journeys (return)		Arrival						
		Accrington	Blackburn	Burnley	Colne	Bolton	Manchester	Preston
Departure	Rawtenstall	£4.50	£4.50	£5.10			£4.00	
	Accrington	-	£4.00	£5.00	£5.50		£7.50	
	Blackburn						£8.70	£5.60
			-	£5.60	£6.60	£6.10	£7.50	£5.50
	Burnley		£5.50	-	£5.00		£7.50	
		£3.60	£5.60		£2.90		£12.90	
	Colne	£4.40		£5.50	-			£9.00
	Clitheroe			£5.50		£5.50	£9.30	

KEY

Bus

Train

Based on a 7.5 hour working day, the following is earned for those on national minimum wage[10] paying 20% income tax[11] and 11% national insurance[12]:

Apprentice - £12.94 per day
School Leaver (16-17) - £18.84
Main workers (18-20) - £24.46
Workers aged 21 and over - £30.68

[10] http://www.direct.gov.uk/en/Employment/Employees/TheNationalMinimumWage/DG_10027201

[11] http://www.hmrc.gov.uk/rates/it.htm

[12] http://www.hmrc.gov.uk/rates/nic.htm

These calculations of incomes highlight those on minimum wage, especially apprentices, have little incentive to work if transport cost exceed more than a third of their daily wage.

As well as improving connectivity, cost of travel needs to be explored further to enhance local employment and skills development.

POPULATION

The latest mid year population estimate for 2010 highlights that Blackburn with Darwen, Ribble Valley and Rossendale have increased their population from 2009. Hyndburn and Pendle have had no change with decline in Burnley by -300. Both Blackburn with Darwen and Burnley, the major urban centres of Pennine Lancashire have seen population decline when compared to 1961. Changes in industry, skills, transport and housing offer can all account to this.

Figure 6.1 Population 2010 mid year estimates

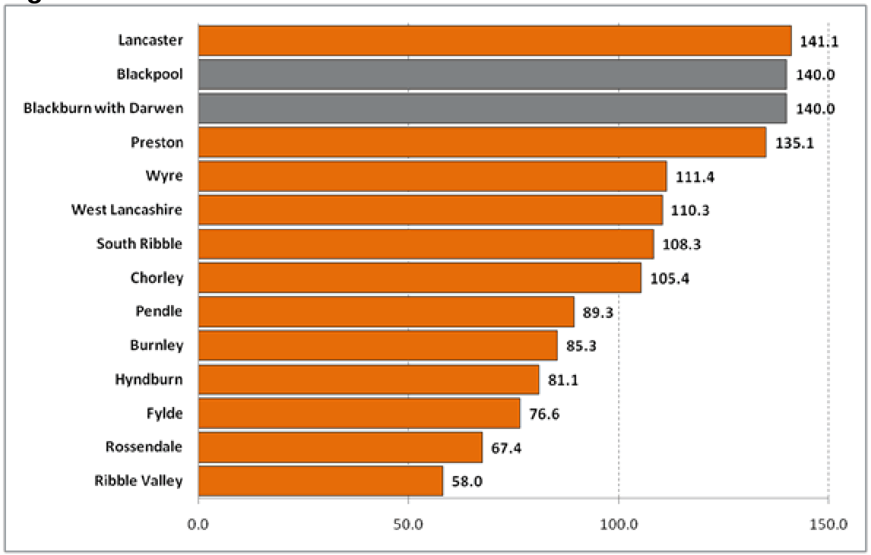
Mid-Year population estimates	Estimated mid-year resident population in (thousand '000):							Change between 1961-2010
	1961	1971	1981	1991	2001	2009	2010	
BwD	143	141.8	142.6	137.4	138.5	139.9	140	-2.1%
Burnley	99	96.6	92.8	92	89.5	85.6	85.3	-16.1%
Hyndburn	80	81.1	79.5	78.6	81.5	81.1	81.1	1.4%
Pendle	86	86.3	86.3	85.5	89.3	89.3	89.3	3.7%
Ribble Valley	45	52.1	53.9	51.8	54.1	57.7	58	22.4%
Rossendale	65	62.2	65	65.8	65.6	67.1	67.4	3.6%
Lancashire LEP	1,256	1,352.1	1,385.5	1,402.4	1,417.3	1,445.7	1,449.3	13.3%

Source Lancashire Profile

In terms of the Lancashire LEP population, the 14 district combined total has increased to 1,449,300. Lancaster now features as the largest resident population within Lancashire LEP area with a population of 141,100, with an increase of +1,300 since 2009 (figure 6.2).

Although population numbers may be declining in parts of Pennine Lancashire, there is a huge potential from its growing young population which exceed regional and national averages. If this young population is retained within the sub region, they would provide the supply skills needed for future economy. Sectors such as manufacturing which has an aging population can be reinvigorated with new talent if the skill levels in STEM subjects are attained. With a national aging population dilemma, Pennine Lancashire can supply a ready skilled workforce close to home (figure 6.3).

Figure 6.2 Lancashire Districts 2010



Source Lancashire Profile

Figure 6.3 Age Proportion of population 2010

	All people					
	Population	Percentage aged:				
		0-14	15-24	25-44	45-64	65+
BwD	140,000	22.8	14.5	26.5	23.3	13
Burnley	85,300	19.1	13.7	24.5	26.4	17
Hyndburn	81,100	19.7	13.4	25.3	25.6	16
Pendle	89,300	19	13	24.7	26.9	16
Ribble Valley	58,000	16.9	11	22.2	29.8	20
Rossendale	67,400	18.7	12.8	25.4	28	15
Pennine Lancs	**521,100**	**19.4**	**13.1**	**24.8**	**26.7**	**16.1**
Lancashire LEP	**1,449,300**	**17.6**	**13.6**	**24.6**	**26.6**	**18**
North West	6,935,700	17.5	13.8	26	25.9	17
England	52,223,400	17.5	13.2	27.5	25.3	17
Great Britain	60,462,600	17.4	13.2	27.3	25.6	17

Source Lancashire Profile