

# Personal insolvencies in UK coastal areas

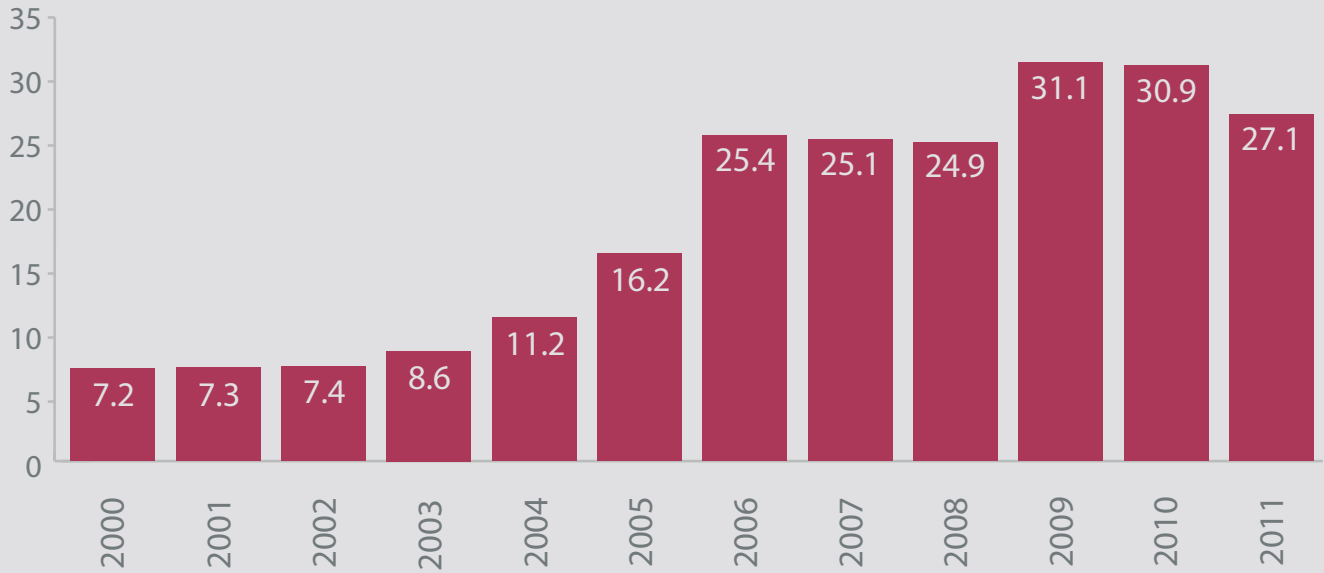
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**Coastal areas in the UK are disproportionately likely to suffer from high rates of individual insolvency. This report explores why this is the case, and whether this situation is likely to change in the foreseeable future.**

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### Insolvency rate, cases per 10,000 of population in England and Wales, 2000–2011



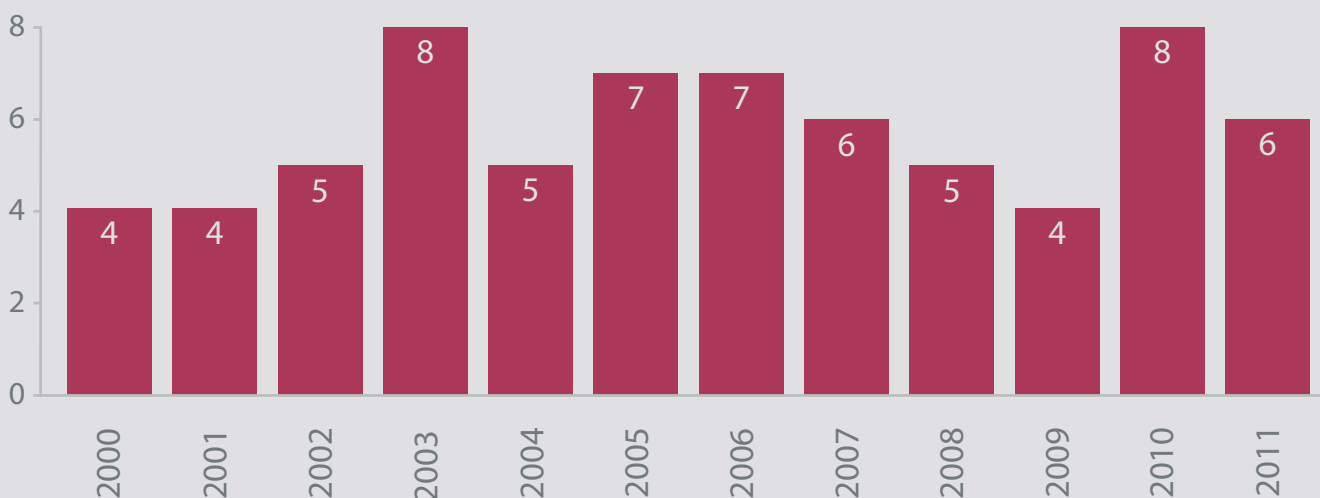
Source: The Insolvency Service

The Department for Business, Innovation and Skills has published data on the individual insolvency rate in England and Wales from 2000 to 2011. As one might expect, recent years see some exceptionally bad numbers due to the recession and financial crisis, which put many individuals into financial difficulty, and made it much harder to borrow.

A closer look at the worst affected areas

reveals a disproportionate number of seaside towns and coastal areas among the most insolvent local authorities in England and Wales. It is not the change over time that is noteworthy in this graph (because this has as much to do with inland problem areas as anything else), but rather the consistently significant representation of coastal local authorities.

### Number of coastal local authorities in the top 10 most insolvent areas in England and Wales, 2000–2011



Source: The Insolvency Service

A 'local authority' in this case refers to a unit of subnational administration in England and Wales. In total there are 348 local authorities or districts in England and Wales<sup>1</sup>, and out of these, 88 local authorities – roughly one quarter – can be considered 'coastal', meaning they have a significant amount of coastline within their territory. Yet despite only one in every four local authorities being coastal, the above chart shows coastal local authorities making up at least half of the ten most insolvent local authorities in most years since 2000.

In 2011, 64% of coastal local authorities in England and Wales had insolvency rates above the average rate of 27.2 per 10,000.<sup>2</sup> The average for all coastal authorities stood at 31.0 per 10,000, representing nearly 20% more insolvencies per head than the inland average of 26.0 per 10,000.

Some local authorities have had consistently high rates of individual insolvency over the last decade and have frequently held a spot in the top 10 most insolvent areas.

The table below lists local authority areas and the number of times their individual insolvency rate has been among the 10 highest in England and Wales since 2000. With the exception of Basildon, all the most frequently reoccurring local authorities are located on the coast. Kingston-upon-Hull has had one of the 10 highest insolvency rates every year since 2000 and Torbay only escaped the top 10 list in 2000 and 2001.

<sup>1</sup> In England, there are 326 local authorities or districts – 36 metropolitan boroughs, 32 London boroughs, 201 non-metropolitan districts, and 55 unitary authorities, as well as the City of London and the Isles of Scilly. Wales is sub-divided into 22 local authorities, which are known as principal areas of Wales.

<sup>2</sup> All figures, correlations and graphs in this report exclude the City of London and the Isles of Scilly due to insufficient data being available for these regions.

Local authority	Times in top 10 most insolvent areas, 2000–2011
<b>Kingston-upon-Hull*</b>	12
<b>Torbay*</b>	10
<b>Plymouth*</b>	9
Basildon	6
<b>Blackpool*</b>	4
<b>Eastbourne*</b>	4
<b>Hastings*</b>	4
<b>North East Lincolnshire*</b>	4

\* Coastal local authorities are listed in bold and with an asterisk

# The top 10 local authorities for personal insolvencies in 2011

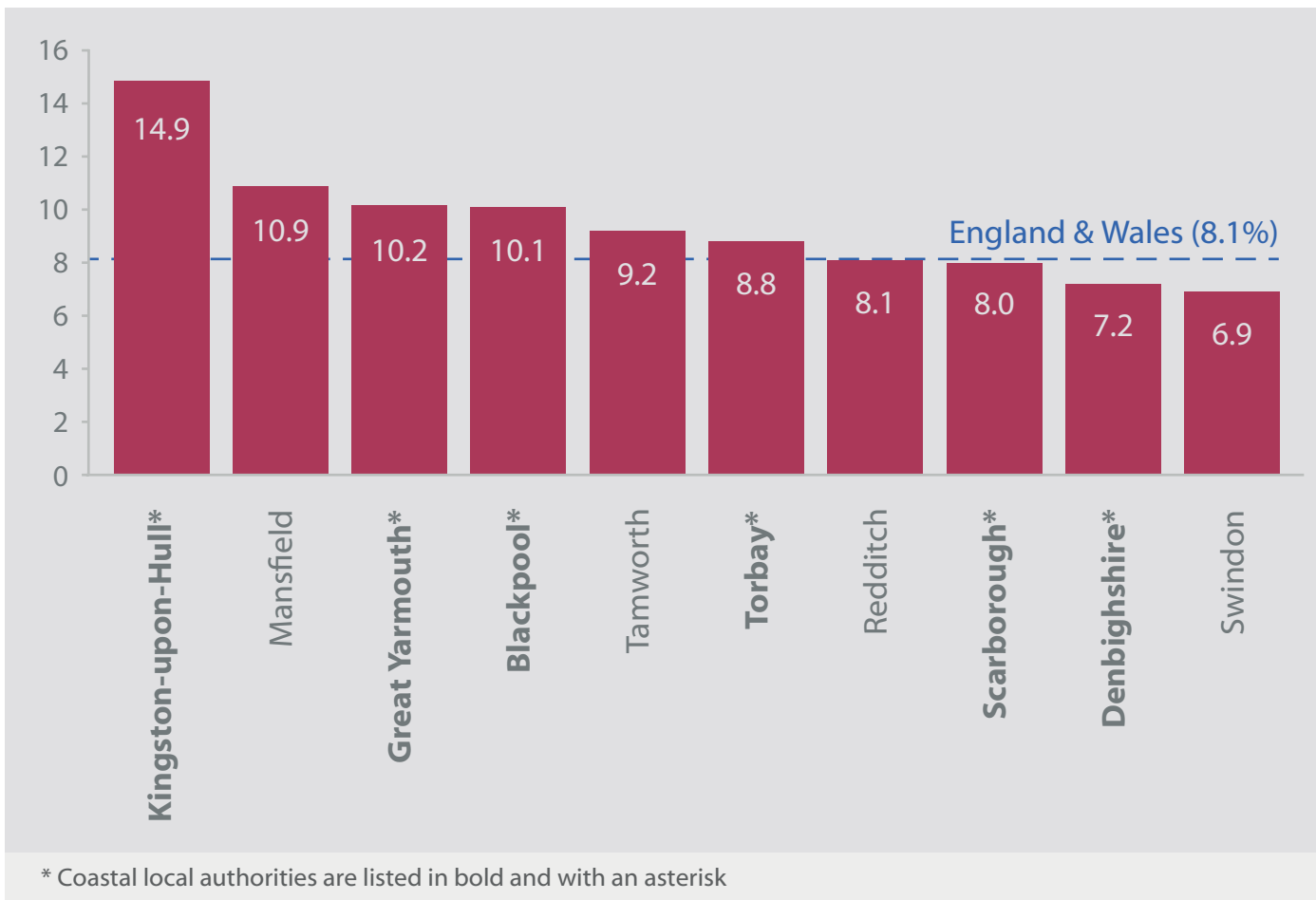
## Insolvencies in 2011's 10 most insolvent local authorities

Local authority	Insolvency cases in 2011	Insolvency rate in 2011 (per 10,000)
<b>Blackpool*</b>	640	57.70
Mansfield	408	51.09
<b>Torbay*</b>	555	50.27
<b>Scarborough*</b>	449	50.19
<b>Denbighshire*</b>	388	49.36
<b>Kingston-upon-Hull*</b>	974	45.35
Tamworth	264	44.81
Redditch	267	43.38
<b>Great Yarmouth*</b>	343	43.20
Swindon	687	43.03

\* Coastal local authorities are listed in bold and with an asterisk

Source: The Insolvency Service

## Unemployment rates in 2011's 10 most insolvent local authorities (%)



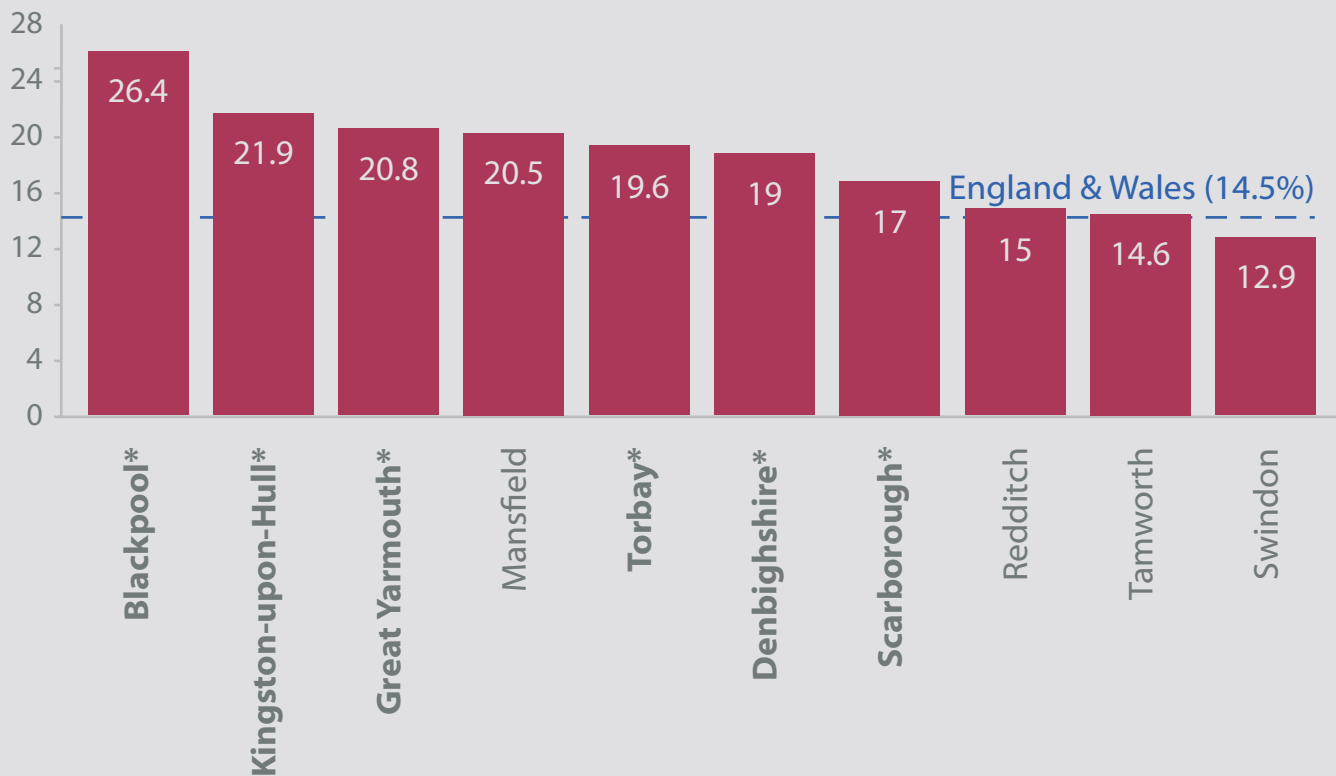
Source: NOMIS Official Labour Market Statistics

In 2011, 6 of the 10 most insolvent authorities were coastal, and, of these, the majority had unemployment rates significantly above the figure for England and Wales as a whole.

A similar pattern is observed for the benefit claimant rate. The rate of benefit recipients for coastal local authorities among 2011's 10 most insolvent authorities is at least 2.5

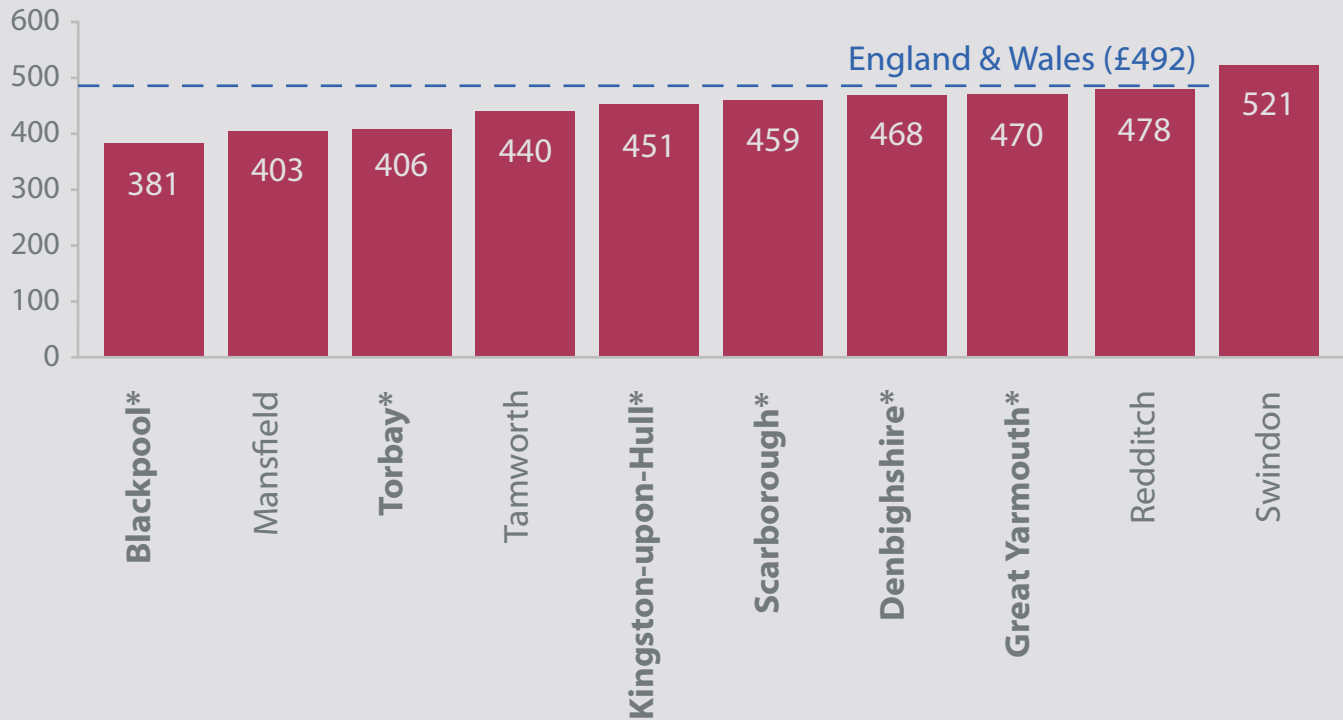
percentage points higher than the figure for England and Wales as a whole, with Blackpool and Kingston-upon-Hull having benefit claimant rates 11.9 and 7.4 percentage points above that figure respectively. In 2011, the average benefit claimant rate for a coastal local authority was 15.4%, compared to an average for inland authorities of just 12.9%.

**Benefit claimants rates in 2011's 10 most insolvent local authorities (%)**



\* Coastal local authorities are listed in bold and with an asterisk

### Average weekly earnings in 2011's 10 most insolvent local authorities (£)



\* Coastal local authorities are listed in bold and with an asterisk

Source: NOMIS Official Labour Market Statistics

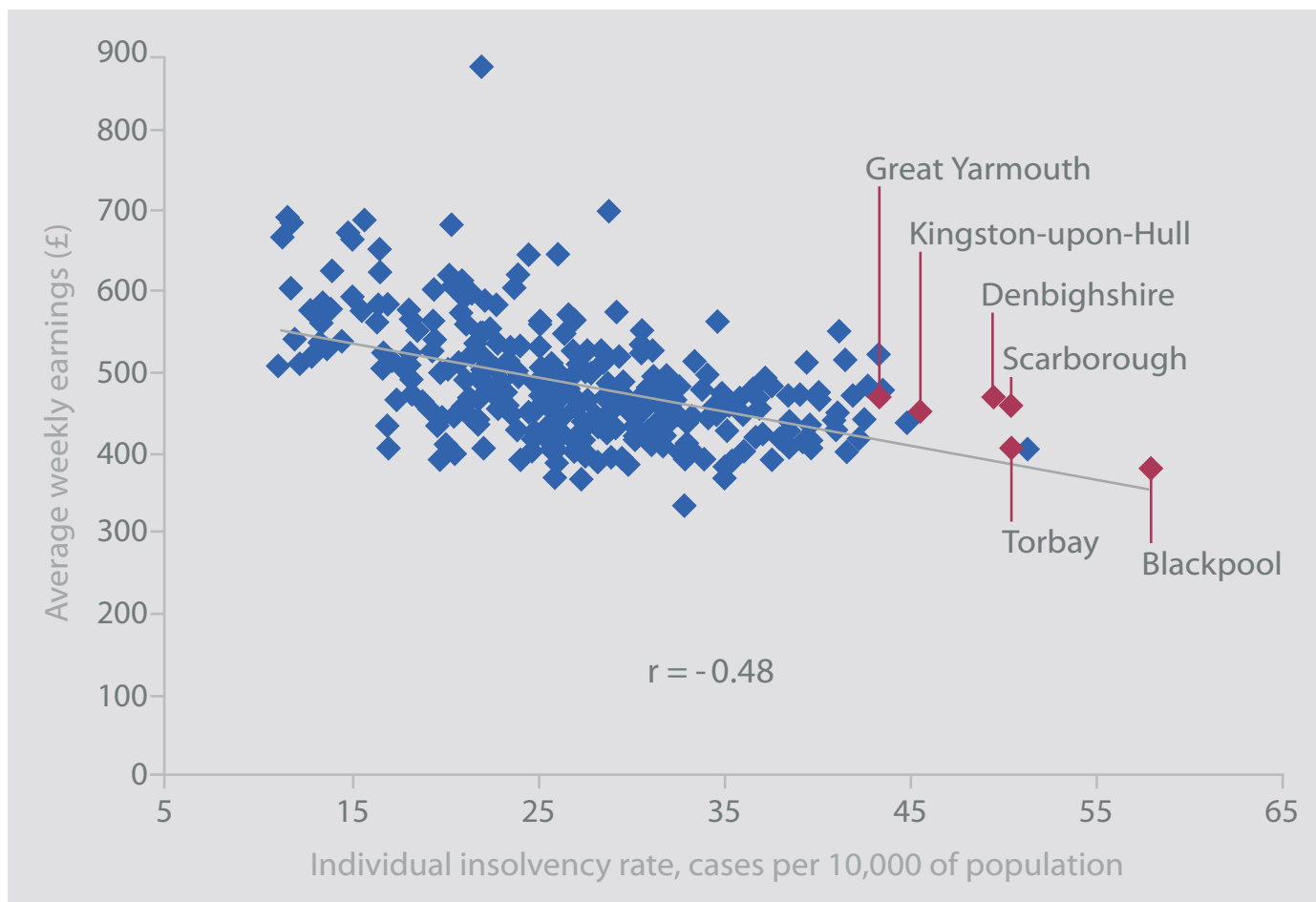
Weekly earnings in 2011's 10 most insolvent local authorities were also significantly below the average weekly wage for England and Wales of £491.75. If one looks at the average weekly wages in each local authority, the average across the 88 coastal local authorities is just £457.14. The equivalent figure for inland authorities is significantly higher, at £491.42.<sup>3</sup> With the exception of Swindon, the ten most insolvent local authorities also perform poorly by all three economic indicators explored above, and coastal authorities as a whole underperform compared to inland authorities.

<sup>3</sup> Note that this is the unweighted average of the average weekly wages, or, in other words, the average across the relevant local authorities of the average weekly wage within those authorities. The average of all inland local authorities' average weekly wages and the average of all coastal local authorities' average weekly wages are both lower than the average wage for England and Wales. This is because high-population local authorities are disproportionately likely to have high average wages, but only count for one authority each, so their impact is lessened when included in an unweighted average across authorities.

We can see the correlation between insolvency rates and other economic indicators like weekly earnings and benefit claimant rates by plotting these variables against each other

for all local authorities in England and Wales. The relationship between weekly earnings and insolvency rates is negative, as we might expect, and fairly strong.

Earnings over insolvency rates, all England and Wales local authorities

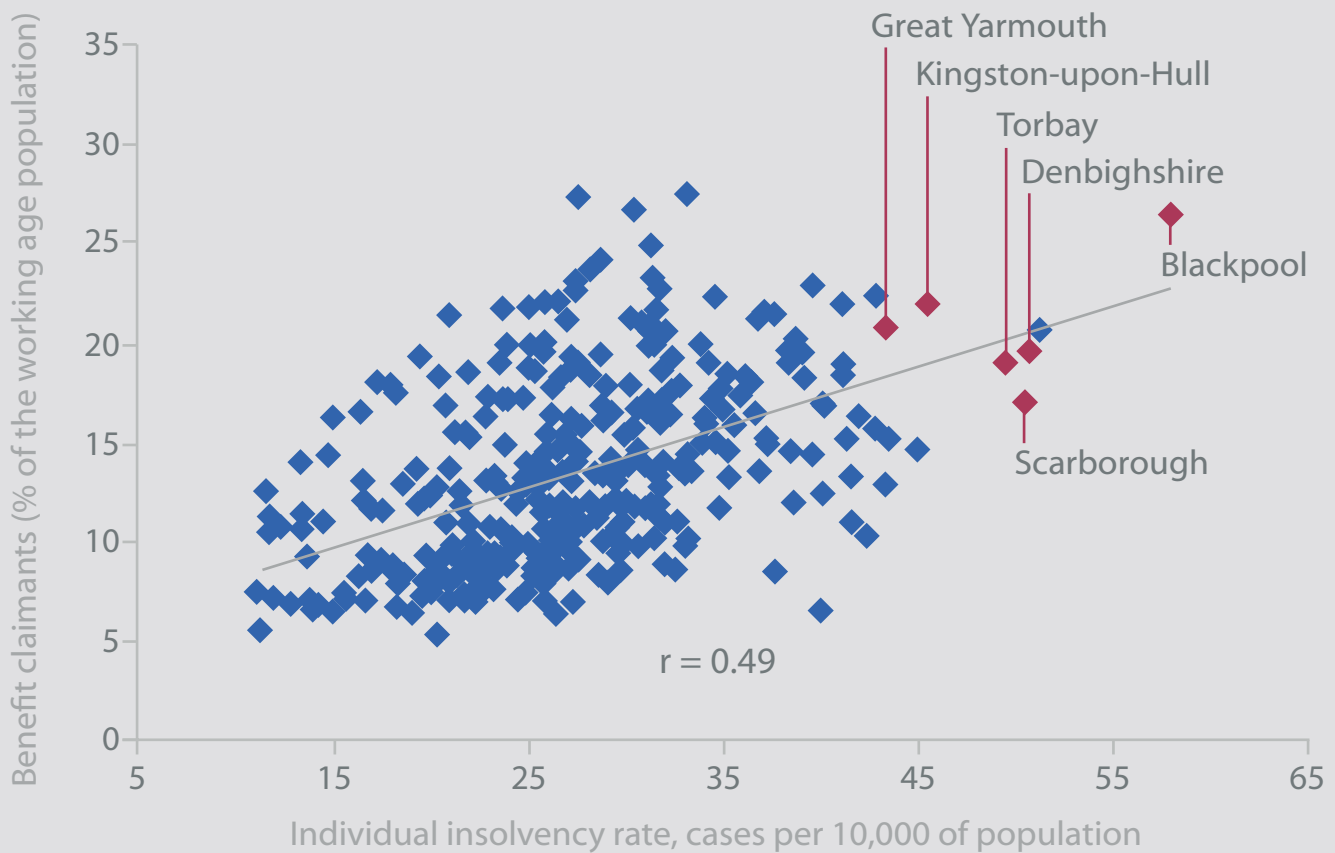


The downwards sloping regression line shows a negative correlation between average weekly earnings and individual insolvency rates. The six coastal authorities that featured in 2011's 10 worst areas for individual insolvency rates are highlighted in red. They have exceptionally poor performance in individual insolvency rates and average wage figures that are mediocre at best.

Another correlation can be observed when comparing insolvency rates with the percentage of the population of working age (16 to 64) claiming benefits. Coastal towns among 2011's authorities with the highest

rates of insolvency also have a high proportion of benefit claimants. Blackpool has one of the highest rates of benefit claimants in the country.

### Benefit claimant rates over insolvency rates, all England and Wales local authorities



The upwards sloping regression line shows a positive correlation between benefit claimants rates and individual insolvency rates. The six coastal authorities that featured in 2011's 10 worst areas for individual insolvency rates are highlighted in red. They have exceptionally poor performance in individual insolvency and worse-than-mediocre benefit claimants rates.



The fact that local authorities with the highest rates of insolvency perform fairly poorly by other metrics suggests that the problem relates to general economic conditions, rather than insolvency rates alone.

The government has given some attention in recent years to helping seaside communities. A special report on coastal towns was prepared by the Department for Communities and Local Government in 2006, and concluded that there was a dire need for a new policy agenda to deal with the deprivation and poor socio-economic conditions of coastal towns in England.

A 2008 benchmarking study of England's seaside towns carried out by the Department for Communities and Local Government examined English seaside towns and England as a whole against such socio-economic indicators as unemployment, occupation structure, benefits, business stock, migration, economic output, housing and deprivation. One of the key conclusions of the study was that:

*"On around three-quarters of these [socio-economic] indicators, the average for the seaside towns is worse than for England as a whole. For example, seaside towns as a whole have a lower-than-average employment rate, an above average share of working age adults on benefits, lower average earnings, and are more affected by seasonal unemployment than the rest of England".*

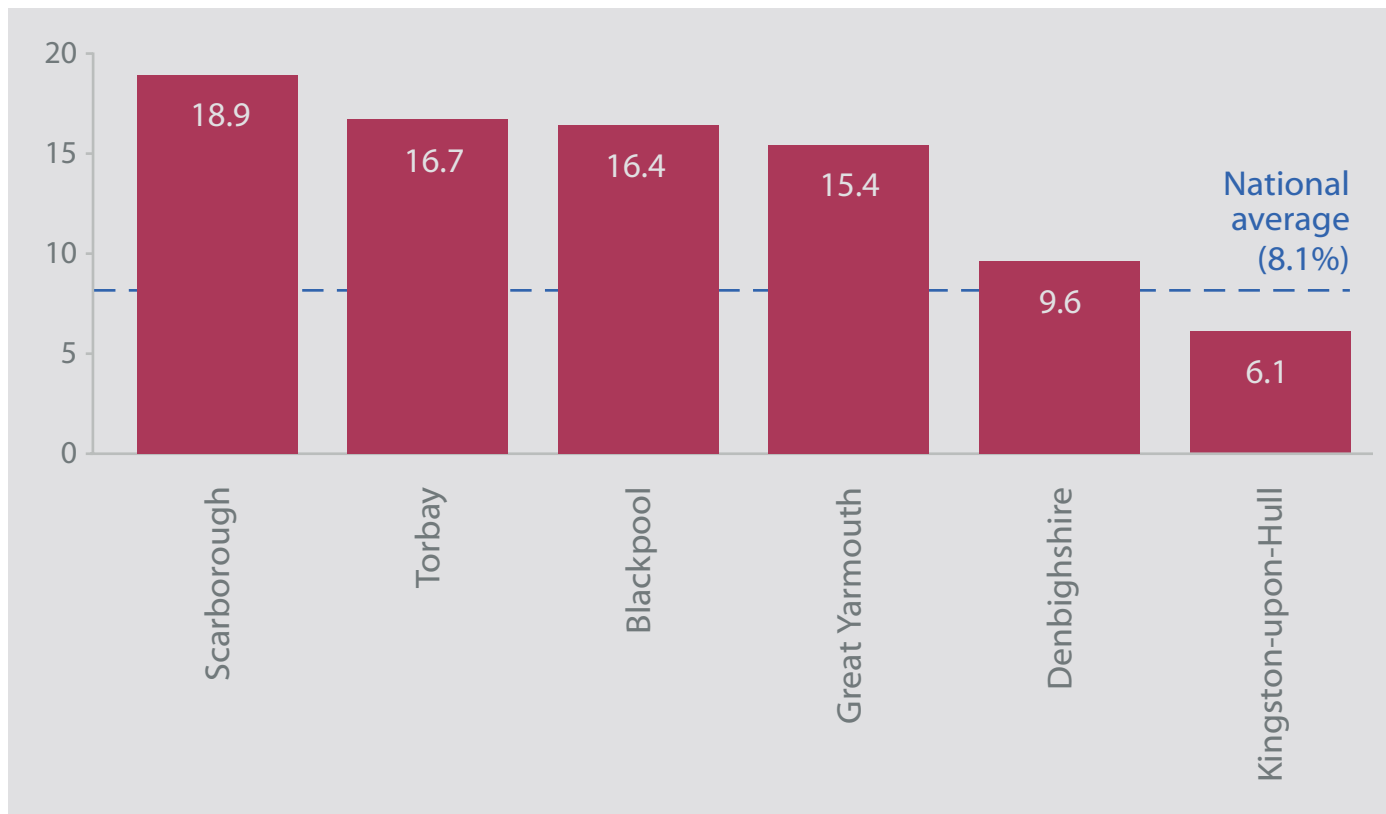
Various organisations and initiatives have been put into place to address the issue of struggling seaside economies in England and Wales. The [Seaside Towns Economic Partnership](#) (STEP) is a national investment agency for British Seaside towns aimed at drawing investment towards seaside areas to create new jobs and new business opportunities, thus contributing to the development of these areas across Britain.

The [Coastal Communities Fund](#) is a government-established grant system that was created in 2011 to supply funds for projects worth £50,000 or more, aimed at fostering the sustainable development of coastal communities in the UK. Managed by the Big Lottery Fund, it has £23.7 million available for projects in the UK. Applications have been open for organisations in the public, private or third sectors as long as they're operating in a coastal community.

The [Coastal Communities Alliance](#) is a network of over 40 coastal local authorities and organisations driven to promote and enhance regeneration in seaside areas in Britain. Founded in 2007, it has been actively engaged in research, informational campaigns and conferences. Through these activities, the organisation is helping coastal communities to network and exchange valuable information, knowledge and skills to foster economic and social development in coastal areas.

[CoastNet](#) is another notable organisation providing communication, community and education services to coastal communities. Operating largely in Essex and Plymouth, it is carrying out various projects designed to promote development and social engagement in coastal cities and towns.

Percentage of workforce employed in tourism  
in 2011's 6 most insolvent coastal local authorities (%)



Source: NOMIS Official Labour Market Statistics<sup>4</sup>, The Insolvency Service

Historically, the coast and the sea have been seen as an asset, bringing in valuable resources, fostering transport connections and promoting trade. Looking at coastal local authorities with the highest insolvency rates in 2011, there is a significant contrast between the employment structures of tourism-orientated beach areas such as Scarborough, Blackpool and Torbay and that of the more heavily industry-oriented city of Kingston-upon-Hull.

Further analysis in this report will continue to examine some of 2011's most insolvent coastal communities and compare them to economically and geographically similar local authority areas that manage to secure lower rates of individual insolvency despite similar geographical conditions.

Three pairs of similar coastal communities will be scrutinised using such economic indicators as unemployment, employment

structure, average weekly pay, and policies of social and economic development, including urban regeneration.

<sup>4</sup> National average for percentage of workforce employed in tourism in the UK as a whole.

Criteria	Denbighshire	Ceredigion
Population (2010)	96,700	76,900
<b>Insolvency rate per 10,000 (2011)</b>	<b>49.3</b>	<b>19.9</b>
Unemployment (2011)	7.2%	6.4%
Benefit Claimants (2011)	19.0%	12.4%
Weekly Earnings in GBP (2011)	468.4	407.8
Employed in Tourism Industry (2008)	9.6%	13.2%
Employed in Manufacturing (2008)	10.0%	5.9%
Employed in Public Admin, Education and Health (2008)	44.7%	41.5%
Employed in Finance & IT (2008)	8.6%	8.8%
VAT Business Registrations, proportion of stock (2007)	7.5%	5.0%
VAT Business Deregistration, proportion of stock (2007)	6.3%	5.2%

Source: NOMIS Official Labour Market Statistics, The Insolvency Service

## Denbighshire vs. Ceredigion

Ceredigion, like Denbighshire, is a relatively small coastal area in Wales, known for its tourist destinations. With its significantly larger coastline, it relies to a greater extent on the tourism industry, and has fewer people employed in the public sector and manufacturing, as well as a lower turnaround of VAT paying businesses. Yet despite these factors and lower average weekly earnings, Ceredigion outperforms Denbighshire in a number of key economic indicators, the most notable being its personal insolvency rate.

Ceredigion has a long-term development strategy called Ceredigion 2020, which is managed by the Ceredigion Local Service Board. Determined to promote health and social care, economic success and a high quality environment, as well as stronger communities, Ceredigion appears well equipped for

tackling socio-economic problems.

Perhaps more significant in Ceredigion's superior economic performance is its longer coastline, which has allowed it to rely in the past more on tourism than the coal industry, whereas coal mining in Denbighshire once employed around 12,000 men. Beach tourism may not be the industry it once was in the UK, but it has stood the test of time better than coal mining.

Also highly noteworthy is that house prices in Ceredigion have nearly tripled since 2000, whereas house prices in Denbighshire have only doubled in the same period, from a similar starting point. Given that rising house prices help to keep rates of negative equity low, it's worth asking why the trends in house prices have been so different – negative equity is a very viable cause of individual insolvency, as it removes selling or re-mortgaging one's house as a way out of liquidity problems, and can leave people with crippling and inescapable mortgage payments. It's tempting

to say that house prices are simply a function of other economic indicators, and higher employment levels in Ceredigion have surely helped to push up prices. However, given that earnings in Ceredigion are actually lower and that the unemployment levels aren't hugely different, it could also be the case that the greater desirability lent to the area by its reputation as a picturesque holiday destination has been a factor, or that it's simply seen as an area with a stronger future.

### Blackpool vs. Southend-on-Sea

Both Blackpool and Southend-on-Sea have a prosperous past built on tourism and railway connections to big cities. Today, though, they both face the challenge of increasingly cheap flights and increasingly affordable holidays abroad. However, these 2 flagships of the British tourism industry have responded quite differently to the challenge.

Blackpool's local economy still appears to be over-reliant on tourism and suffering from a lack of diversification, whereas Southend-on-Sea has managed to secure a campus of the University of Essex, and, with HMRC as one of its major employers, seems to be taking a different route.

Furthermore, Southend-on-Sea is continuously pursuing a goal of diversification of the local economy and development of industries other than tourism. For example, the latest regeneration project in the city, Elmer Square Development, is aimed at delivering a brand new municipal library with enhanced ICT facilities and a new teaching facility for the University of Essex.

Blackpool, on the other hand, continues to prioritise tourist attractions as investments, with 6 out of 8 urban development projects aimed at the city's visitors. Blackpool Council lists such developments as the installation of "the world's largest mirror ball", a "fantastic lighting scheme" and a "comedy carpet". Only

Criteria	Blackpool	Southend-on-Sea
Population (2010)	140,000	165,300
<b>Insolvency rate per 10,000 (2011)</b>	<b>57.7</b>	<b>22.8</b>
Unemployment (2011)	10.1%	8.3%
Benefit Claimants (2011)	26.4%	5.1%
Weekly Earnings in GBP (2011)	374.2	526.8
Employed in Tourism Industry (2008)	16.4%	8.9%
Employed in Manufacturing (2008)	7.4%	6.0%
Employed in Public Admin, Education and Health (2008)	37.3%	32.3%
Employed in Finance & IT (2008)	10.2%	25.3%
VAT Business Registrations, proportion of stock (2007)	9.2%	10.4%
VAT Business Deregistration, proportion of stock (2007)	8.8%	10.9%

2 of the projects are aimed at generating business development, which suggests a focus on tourism still as the city's best hope going forward. One of those two development projects is a significant business park, but it has encountered a number of setbacks involving land acquisition and funding. A successful execution of this project could still be a step in the right direction.

With lower rates of unemployment and fewer benefit claimants, more encouragement for entrepreneurial activity (if regeneration projects are anything to go by), and, most significantly, vastly more employment in Finance & IT, Southend-on-Sea looks set to continue the diversification of its economy, leaving only 23 people in every 10,000 insolvent in 2011.

### Kingston-upon-Hull vs. Plymouth

Kingston-upon-Hull and Plymouth are both big and important ports and university

cities with comparable populations, and they still have comparable insolvency rates. However, Plymouth has, to some extent at least, managed to turn things around, and since 2009, has managed to avoid appearing in the list of the 10 local authorities with the highest insolvency rates, although insolvency rates in the area remain relatively high.

Even with more employment in finance & IT, Kingston-upon-Hull loses out to its southern counterpart, having twice as high an unemployment rate and a rate of working age people on benefits 5.2 percentage points higher.

Historically, the economies of both cities have revolved around their ports. Both Kingston-upon-Hull and Plymouth were heavily damaged during WW2 – each having their own blitz – and both cities underwent a complete reconstruction after the war. Unlike Kingston-upon-Hull, however, Plymouth was and continues to be an important base for the Royal Navy. Despite cuts in the

Criteria	Kingston-upon-Hull	Plymouth
Population (2010)	263,900	258,700
<b>Insolvency rate per 10,000 (2011)</b>	<b>45.3</b>	<b>39.9</b>
Unemployment (2011)	14.9%	7.9%
Benefit Claimants (2011)	21.9%	16.7%
Weekly Earnings in GBP (2011)	414.2	445.52
Employed in Tourism Industry (2008)	6.1%	8.0%
Employed in Manufacturing (2008)	17.1%	12.5%
Employed in Public Admin, Education and Health (2008)	30.8%	36.9%
Employed in Finance & IT (2008)	14.2%	13.4%
VAT Business Registrations, proportion of stock (2007)	10.5%	11.8%
VAT Business Deregistration, proportion of stock (2007)	7.9%	7.2%

armed forces; the city has managed to cover the displaced labour force by increasing employment in other public sector jobs. Kingston-upon-Hull, on the other hand, was more unfortunate with its key coastal industries of whaling and fishing, losing them both in the last quarter of the 20th century – events that are often associated with the economic decline of the city.

Coming back to the present day, both cities still experience problems with high unemployment and a reliance on declining manufacturing industries, but Plymouth seems to be doing slightly better and the reason for this might be an effective regeneration programme. Plymouth 2020 is a public-private partnership and an urban redevelopment plan that has been introduced to help Plymouth to become a wealthy, healthy and safe city. Partnering up with over 32 different organisations, this initiative set out to deal with problems of unemployment, benefit take-up and debt. The results followed: in 2010 the city won £1 billion from the Future Jobs Fund with the potential to create another 150,000 jobs.

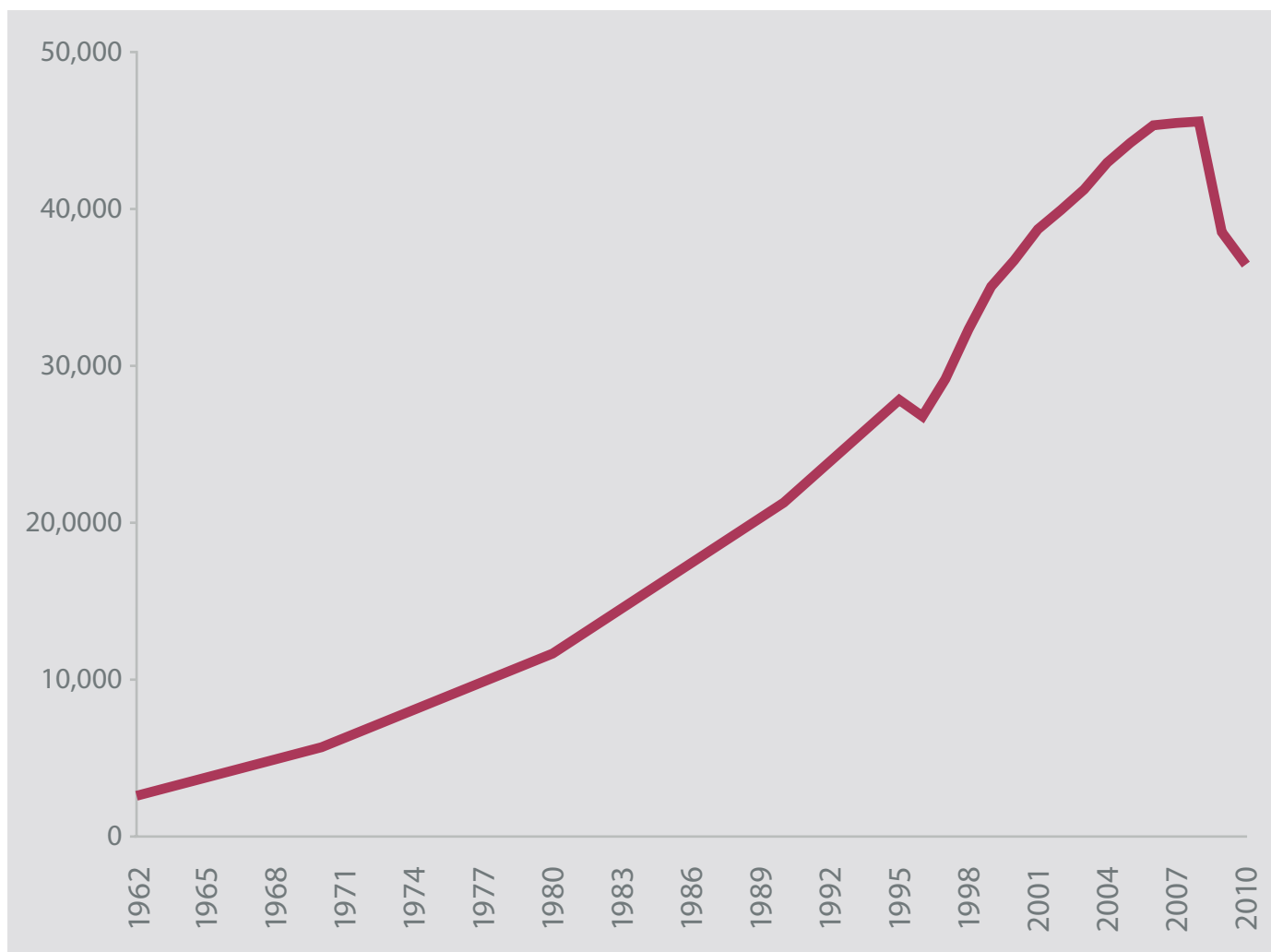
Similar programmes do exist in Kingston-upon-Hull – initiatives such as the Youth Enterprise Partnership, the Youth Enterprise Bank and Hull Forward. The first two programmes focus on funding youth entrepreneurial projects and aim at enhancing business opportunity for young people. The latter programme was a regeneration plan, and was abolished as a result of government public sector cuts, having failed to provide Kingston-upon-Hull with investment that would create jobs. As well as having the 3rd highest unemployment rate in the country, Kingston-upon-Hull remains the most consistently insolvent area in England and Wales.

Denbighshire, Blackpool and Kingston-upon-Hull, being among the 10 most insolvent local authorities in England and Wales in 2011, are fairly extreme cases. They have all been the victims of multiple incidences of poor economic fortune. The trend that runs through them, however, is the decline of employment in certain sectors. Meanwhile, Ceredigion, Southend-on-Sea and Plymouth have all been somewhat less exposed to ailing industries than the less insolvent local authorities with which we have compared them. Coastal local authorities as a whole, however, do seem prone to higher insolvency rates and other economic difficulties. Their location by the sea may have been an

economic blessing in the past, but frequently relying on declining industries is becoming a problem. In answering the question of how this disproportionate likelihood has come about, two sectors seem the most obvious culprits – tourism and manufacturing.

Increasingly cheap flights abroad have been highly detrimental to the UK's tourism industry. Beach tourism, with its reliance on sun and heat is likely to be disproportionately damaged, and of course is necessarily coastal. The number of holiday visits abroad by UK residents has increased by a factor of 14 in the last 50 years, and this has to be at the expense of something.

Holiday visits abroad over the last 50 years



Source: Office for National Statistics "Travel Trends", 1962, 1970, 1980, 1990, 1995-2010

Manufacturing and heavy industry, too, have declined in the UK in recent history. In many cases, these industries relied on reasonable proximity to the sea for transport, water supply or waste disposal, and, as result, became major sources of employment in coastal areas. Shipyards are a prime example of this. Even manufactured goods that are manufactured inland require shipyards to export them and to deliver raw materials.

Employment in the manufacturing sector for the UK as a whole is down to below 3 million, from over 7 million as recently as 1980. Some coastal towns, however have diversified and performed well, or in more fortunate cases always had a stable major employer, like the Royal Navy in Plymouth. Overall, however, declining or collapsed industries, like whaling and fishing in Kingston-upon-Hull, coal mining in Denbighshire, and tourism in Blackpool, will continue to hurt coastal areas in the absence of substantial and effective urban regeneration strategies based on investment and public engagement.

One last potentially significant factor is that coastal areas are almost by definition less convenient in their transport links than inland areas in the same part of the country – they are literally at the edge of the country. This is very hard to measure, but for commuters and companies wishing to transport or receive goods or materials, this added inconvenience is damaging and unattractive, and this could cause lower house price appreciation and higher unemployment, and everything else that comes with that, including high insolvency rates.

There are some rays of light. The recession seems to have fuelled a recent trend towards “staycations” (the corresponding drop on overseas holidays can be seen in the above graph). The relatively low value of pound sterling in the last five years has cheapened British exports abroad, and this has the potential to be a major boost for the British manufacturing industry. There are initiatives (such as STEP and the Coastal Community Fund) that could improve the current situation of seaside towns and areas. Nonetheless, more needs to be done to improve the economic situation of Britain’s coastal regions.

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