

County Council

5 November 2008



County Durham Economic Strategy 2008 - 2013 Key Decision BSE/CEO/EDR/01/06

Report of John Richardson, Corporate Director, Environment (Cabinet Portfolio Member for Economic Regeneration – Councillor Neil Foster)

Purpose of the Report

- 1 To provide Members with an overview in relation to how the County Durham Economic Strategy (CDES) 2008-2013 has been updated following a detailed consultation process (see Cabinet Report 17 April 2008 for further information).
- 2 To seek endorsement of the CDES 2008-2013 (see attached) which was agreed at Cabinet on 23 October 2008.

Background

- 3 Durham County Council took a lead in establishing the County Durham Economic Partnership (CDEP) in 1994; one of the earliest such partnerships nationally. The CDEP consists of nearly 50 organisations, and is a key route through which Durham County Council can support economic development within the County.
- 4 Since the CDES 2002-2007 was prepared there have been substantial economic, policy and governance shifts, which continue to unfold and impact the economic development of the County. These changes are reflected in the new CDES covering the period 2008-2013.

Consultation Process

- 5 Preparation of the draft CDES was carried out through a detailed process of engagement with Members, Cabinet, partners and stakeholders.
- 6 The draft CDES was endorsed by the CDEP Board on 21 July 2008 subject to editorial changes. The final draft CDES was presented to Durham County Council Members at a seminar held on 30 September 2008. The seminar engaged Members on the content and changes which have been made to the CDES during the consultation process. Furthermore, Members were asked to consider specific actions or initiatives which they would like to see in an Action Plan for the CDES.

- 7 The CDES Action Plan will be developed once Council has endorsed the Economic Strategy. The Action Plan will set out how we intend to deliver key priorities in the short, medium and long term in order to make a step change in the economic performance of the County. The Action Plan will be 'owned' by the Board of the CDEP who will be responsible for its delivery. However, the Action Plan is clearly important to the County Council and the role of the Overview and Scrutiny Committee will be integral to the process by challenging and reviewing the achievements of the CDEP.

County Durham Economic Strategy 2008-2013

- 8 The CDES reflects the approach of the Regional Economic Strategy (RES) and considers County Durham in terms of the three competitiveness headings of Business, People and Place. It describes the substantial progress made to date in developing the economy of County Durham, the assets that the County possesses and the challenges that are to be faced in achieving progress towards the key priorities under each of these headings.
- 9 Foremost amongst the challenges is the gap between the potential and actual productivity of County Durham. The key measure used by Government to assess productivity is Gross Value Added (GVA) which measures the contribution to the economy of each individual producer, industry or sector. County Durham's potential GVA is calculated at circa £7.5bn, but we are currently only achieving GVA of around £5.4bn. Reshaping the County's industrial sectors and reducing the level of worklessness to national levels would help narrow this gap but the main factor is to address productivity itself. This is driven by;
- workforce skills base;
 - levels of capital investment;
 - investment in research and development and levels of innovation;
 - degree of competitiveness within local and other marketplaces.

It is these issues which form the basis of the approach set out in the CDES. Further details on the core aims and objectives of the CDES are set out in Appendix 2. The Economic Strategy is fully aligned with and considers the Local Area Agreement (LAA) and Multi Area Agreement (MAA).

Next Steps

- 10 The timetable below sets out the next steps in developing the CDES and associated Action Plan.

	Milestone	Anticipated date
CDES	Agreement sought from Cabinet	23 October 2008
	Endorsement sought from Full Council	5 November 2008
	Publish strategy and 'summary document'	November 2008
Action Plan	Technical drafting	September - October 08
	Consultation period - working groups and key stakeholders	November - December 08
	Analysis of consultation responses and redrafting	Winter 08/09
	Final draft Action Plan presented to CDEP Board and DCC Cabinet	Spring 09
	Publish Action Plan	Spring / Summer 09

- 11 Implementation of the CDES and its Action plan will be championed through the CDEP Secretariat, based in the Council's Regeneration and Economic Development Service, with support from other Services.

Recommendation and Reasons

- 12 Cabinet considered and agreed to endorse the County Durham Economic Strategy 2008-2013 at the meeting on 23 October 2008.
- 13 Council is recommended to endorse the County Durham Economic Strategy 2008-2013 as the key policy document to guide economic development within County Durham.
- 14 Council is asked to note that whilst the content of the document has been finalised, minor editorial changes and graphic design work will be required prior to publication. It is recommended that Council agree that delegated power be given to the Corporate Director, Environment, in consultation with the Portfolio holder for Economic Regeneration, Councillor Neil Foster, to authorise this on behalf of the County Council in order to publish and disseminate the CDES to Members, partners and stakeholders as soon as possible.

Background Papers

Cabinet reports dated 17 April 2008 item no. A18 and 23 October 2008 item no. A4

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Appendix 1: Implications

Local Government Reorganisation

None.

Finance

This will become apparent once the CDES is endorsed and work on the CDES Action Plan can commence. The implementation of the CDES has previously been substantially supported by sources other than DCC and, subject to their continued availability, achieving the headline targets can be delivered using the existing level of resources with some adjustment for inflation. Delivering the targets required to close the gap between the County's current productivity and its potential productivity will require additional resources.

Staffing

None.

Equality and Diversity

The CDES will follow Durham County Council procedures and an Equality Impact assessment will be undertaken.

Accommodation

None.

Crime and Disorder

None.

Sustainability

The Economic Impact Assessment will provide the opportunity to explore sustainability issues contained with the strategy. The CDEP will promote sustainable economic development at every opportunity through delivering the CDES.

Human Rights

None.

Localities and Rurality

Specific issues relating to localities and rurality have been identified and considered during the development of the CDES and consultation exercises. Furthermore, the CDES has been rural proofed.

Young People

Specific issues relating to young people have been identified and considered during the development of the CDES and consultation exercise.

Consultation

The CDES process has undertaken substantial consultation through Members, Cabinet, partners, stakeholders, County Durham Citizen's Panel and the County's Parish Councils.

Health

Specific issues relating to health have been identified and considered during the development of the CDES and consultation exercise.

**County Durham
Economic
Partnership**



[Draft]
ECONOMIC STRATEGY
2008-2013

Summary

September 2008

Setting the scene

Introduction

Established in 1994, the County Durham Economic Partnership (CDEP) comprises a wide range of organisations that are committed to increasing economic growth and competitiveness in the County. This is the summary of the third iteration of the County's Economic Strategy, covering the period 2008-2013. The Economic Strategy sets out an aspirational and challenging vision for the growth of the County's economy, and translates this into strategic aims, objectives and priorities to guide the delivery of the strategy. CDEP has responsibility for leading and driving the delivery of the strategy, with named organisations, who have accepted an obligation to work with other appropriate members of the County Durham Economic Partnership, responsible *to the Partnership* for specific elements. The Strategy provides the framework for an Action Plan which sets out priorities for delivery over the next five years. As such the strategy is a positive step in our economic journey, laying a broad framework for action, but we recognise that it is not an end in itself and therefore further work continues.

A challenging future

Many of our traditional industries have been declining since the 1930's and particularly over the last thirty to forty years. Whilst other places have successfully managed the transition from an industrial to a post-industrial, knowledge-driven economy, we are still playing 'catch up', and still dealing with the social and environmental legacy of the loss of coal mining and much of our manufacturing base. Now globalised market forces are impacting on the sustainability of some of the inward investment – particularly in manufacturing and engineering – that the County has benefited from over recent years and which softened the blow of industrial decline. The rural economy is also facing significant challenges, presented by climate change, food and energy security, the need for affordable housing and the increased cost of delivering and accessing services.

County Durham's under-performing economy is a result of a number of inter-related socio-spatial historical factors including

- a *low skills base*, impacting on workforce productivity; by 2020, we may need as many as 40,000 additional working age adults qualified to Level 3 to meet the Government's challenging skills targets
- *low levels of investment* in research and development by the private sector, have led to limited growth in high value added businesses
- *too few people in employment* – partly a result of a lack of employment opportunities but also a large number of economically inactive residents, a large proportion of whom do not wish to return to the labour market
- a *distributed economy* – our dispersed settlement pattern means that we do not generate the 'agglomeration benefits' of extended labour markets or clusters of related firms which are associated with successful urban centres
- a *limited employment base*, with low proportions of employment in growth sectors, notably business and professional services and an over-dependency on the public sector as an employer

- *low rates of enterprise* mean that we are currently creating less than half the 400 new VAT registered businesses we need to realise our contribution to regional enterprise targets, and this is also impacting on GVA growth; in addition to low volumes, we are not generating enough high value business start ups
- a commercial property market which still remains characterised by *market failure* in many locations although Durham City in particular is witnessing increased levels of investment
- *limited access* to work and learning in some communities, limited east-west highways connections and constraints on the capacity of the A1 and A19 which limit opportunities for economic growth and the effective operation of the labour market.

Despite our sustained efforts to attract inward investment and to support the creation of new jobs and businesses, the gap in economic performance between County Durham and the regional and national economies has widened during the last decade. In 2005, our Gross Value Added per capita – an important measure of economic output – was just 64% of the Great Britain average. Were it not for the improving economic performance of the Tees Valley, with whom the County is linked for these purposes, County Durham would be eligible for Objective 1 support from the European Union. Indeed, we argue that without a more supportive economic policy framework and sustained long-term investment from the public sector to stimulate private sector activity, we may not realise our ambition of a sustainable economic future for the County. This is a key theme of the CDES and one to which we return throughout this document.

It is clear that whilst we have mitigated some of the negative impacts of economic structuring we have not done enough to create a sustainable economic future for County Durham. Bridging the gap in economic performance will require a step change – in the productivity of our businesses and our ability to develop new areas of economic activity; in the attitudes and attainment of our young people and the adult workforce; and in the County's quality of place offer. We also require a step change in our ability to work in partnership within and outwith the County. It is only through demonstrating effective partnership working that we will unlock the levels of sustained investment – from both the private and public sector - required to catalyse our economic resurgence.

Location and spatial connections

Although County Durham has a relatively self contained labour market, with 77% of residents living and working in the County, it has strong policy, partnership and functional relationships with its neighbouring areas. County Durham *connects the region* and particularly the Tyne and Wear and Tees Valley City Regions. Some parts of the County are therefore intricately related to these functional economic areas, with overlapping labour markets, housing markets and other links. Conversely, other parts of the County have much weaker connections with the City Regions and therefore focusing regional investment into the cores of the City Regions has tenuous economic benefits in these parts of the County.

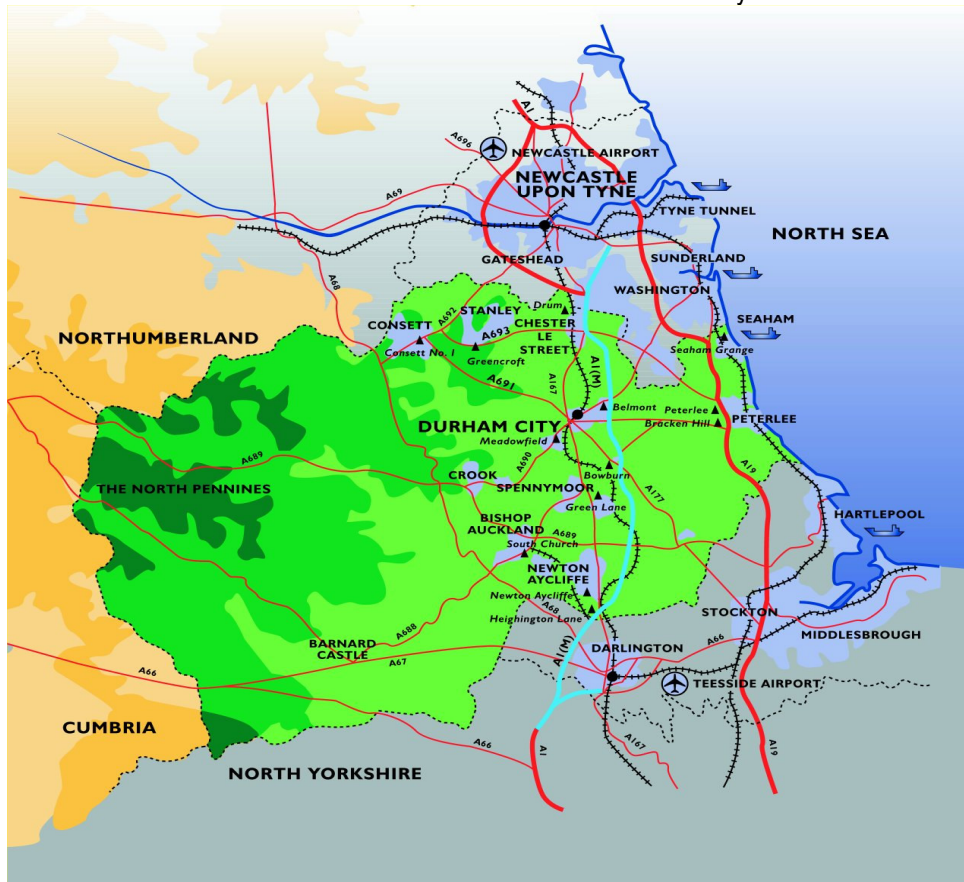


Fig.1 Position of County Durham within the North East

Both City Region Partnerships have set out ambitious plans to accelerate economic growth and their Development Plans (CRDPs) acknowledge the potential role and contribution of County Durham. The Tyne and Wear City Region Development Programme is centred on the development of the Newcastle Science City; growth of business and professional services, improving transport and tackling worklessness. Four spatial priorities are identified – Newcastle, Gateshead, Sunderland and Durham City – and the CDRP also highlights the inter-relationship between the Tyne and Wear conurbations and the north eastern half of the County. The transport and skills/worklessness elements of the CRDP are being pursued through a Multi Area Agreement.

The Tees Valley City Region Development Programme builds on the world class base of chemicals and process industries and further highlights the potential for growth of the new energy economy, as well as related engineering activity and the logistics and tourism sectors. Some of these themes are being taken forward through their MAA, which covers the five Tees Valley local authorities rather than the wider City Region. The Tees Valley CRDP also highlights the role and contribution of NETPark in commercialising the region's research base. Census data from 2001¹ shows that there are substantial flows of people between the south and east of County Durham and the Tees Valley for work, learning and leisure.

County Durham can make a significant contribution to the growth of the City Regions and the region as a whole – by providing skilled labour, by improving access to our research/knowledge base and by helping to attract talented people through its quality of place offer. In turn, the concentration of economic growth in both conurbations will deliver benefits for some parts of the County by increasing access to a more diverse range of employment opportunities for our residents and opening up new

¹ Census 2001, UK Travel Flows, Accessed via Nomis

County Durham Economic Strategy markets for our businesses. At the same time, our dispersed settlement pattern and economic geography means that some parts of the County are poorly connected to the conurbations. Some communities and individuals are less willing or able to travel to access opportunities in the conurbations. Furthermore, focussing growth in the cores of the City Regions to the detriment of other locations will have negative social and environmental externalities for the region. The development of the new unitary authority, with its emphasis on the 14 major settlements and the development of communications infrastructure, will provide a locality sensitive and cohesive approach to these matters within the County.

The County Durham Economic Strategy is set firmly in the context of the **Regional Economic Strategy** and Action Plan, the **Regional Spatial Strategy** and will make an important contribution to the development of the new Integrated Regional Strategies proposed in 2007 Sub National Review of Economic Development and Regeneration (SNR). The approach to developing the South and East Durham New Growth Point demonstrates the appetite in the County to adopt the IRS approach at a local level; integrating housing, transport, employment and environment matters. Nonetheless, securing an appropriate balance between economic growth and an approach which seeks to optimise the County's economic relationships with the North East's City Regions is an important challenge for the Economic Strategy. It is clear that a 'trickle down' approach from investments in the cores of the City Regions is unlikely to have significant economic benefits for County Durham and particularly the more remote rural or acutely deprived parts of the County – but also that a shift towards more planned growth in the County runs counter to the current emphasis on City Regions in both the Regional Economic and Spatial Strategies. As such, this strategy seeks to strike an appropriate balance between promoting indigenous economic growth across the County and optimising our connections with the Tyne and Wear and the Tees Valley City Regions. This Strategy seeks to develop the County's assets, and its points of difference with the City Regions, but there are overlaps and to succeed, in some cases, changes to regional and national policy will be required to allow the County's economy to grow at an accelerated pace, and we will need to demonstrate a step change in our leadership to influence this.

Building on our assets

We face some very significant challenges, but we are already making good progress in a number of key areas, including:

- educational attainment levels are improving, although we need to further accelerate our efforts to bridge the gap with national performance
- business survival rates at three years, now exceed the national average, suggesting that whilst we are not creating enough new businesses, those which are created are less likely to fail
- major physical and environmental regeneration programmes have transformed many parts of the County and addressed the legacy of our former industrial base in communities including Seaham and Consett; the Turning the Tide project has significantly enhanced the Durham Heritage Coast.

Perhaps more importantly, we have some world class economic assets upon which we can build, including:

- Durham City – which has significant untapped potential as a world class visitor destination and as a regional retail centre and business location

- Durham University – which is the leading University in the North of England and is ranked in the world's top 20 research institutes based on the impact of its scientific research
- NETPark - acknowledged as the most important science and technology park in the North East and a key driver of regional efforts to commercialise our knowledge base in globally significant technologies, including printable electronics
- a strong manufacturing and engineering base - which remains a significant employer and despite globalisation pressures has potential for further growth in value added activities
- an exceptional quality of place – including a World Heritage Site, Area of Outstanding Natural Beauty and Heritage Coast, our rural and urban environment will continue to be a major factor in attracting and retaining investment and talented people.

This Economic Strategy should be viewed as an important step on the journey towards a sustainable economy for County Durham. It is focused on the County's economy and labour markets – but sustainable growth cannot be achieved in isolation, and a wide range of other factors, including climate change, transport, housing and our efforts to tackle social exclusion and promote neighbourhood renewal – are strongly inter-related, and will underpin our efforts to achieve economic growth. It is the starting point for a more detailed and imaginative audit of assets, embracing a forward thinking approach to assessing local-to-global trends and their potential opportunities for the County.

Parts of County Durham continue to suffer from multiple deprivation – some neighbourhoods remain amongst the most deprived in England on a range of income, health and employment measures. There is strong evidence to suggest that accessing employment and remaining in work can have a major impact on individual well being. This strategy recognises the distinct link between economic growth and social inclusion. We will only have achieved our objective of sustainable economic growth when the benefits permeate even our most deprived communities.

Our vision: County Durham 2023

The County Durham Strategic Vision was agreed by key stakeholders in February 2004 and represents the high level strategy for the County. It is:

By 2023 “Dynamic Durham” is known for its strong economy, commitment to lifelong learning, enhanced environment and its strong, healthy and safe communities. It is a great place to live, work, visit and invest.

The Economic Strategy builds on this broad vision for the County – and sets out how we intend to achieve the step change in the County's economic fortunes;

It is 2023....and County Durham has a modern, dynamic economy, characterised by high levels of employment, income and a highly skilled labour market.

Our businesses are competing in regional and global markets, and are amongst the most productive in the North of England.

Our rural economy is thriving, attracting and retaining talented people in the North East through its exceptional quality of life.

We are striving towards a zero carbon economy and climate change is creating new economic opportunities for the County.

We have achieved sustainable economic growth - and our economy and labour markets contribute towards and benefit from the growth of the City Regions. As a result families and young people are staying and moving into the County – people want to live, work and play here.

We achieved this by building on our economic strengths – particularly manufacturing and engineering – and developing the design and research and development base of our key manufacturing and engineering businesses. Much of our success was founded on the links we created between our businesses, NETPark, Durham University and other North East Universities to drive forward growth of the knowledge economy.

Durham University is one of the top 10 scientific research institutions in the world. Its outstanding strengths across the board in research, teaching and learning, and community and business engagement have driven the growth of our knowledge economy and helped to fuel the renaissance of the County. NETPark is one of the largest and most successful science and technology parks in the North, with a global specialism in printable electronics, and has an enviable track record in commercialising its research. Climate change has also opened up new economic opportunities for the County.

We invested heavily in renewing our major industrial estates in Newton Aycliffe, Peterlee, Stanley and other centres, improving their environmental quality and creating new opportunities for low cost energy to ensure they will remain attractive business locations well into the 21st Century.

Durham City is now a growing centre for business and professional services, with Mount Oswald and other key sites housing a range of major employers. More significantly, it is a world class tourism destination. Building on the unique assets of the Cathedral, Castle and the University, we invested in improving the quality of the public realm, developing our retail and accommodation offer and in creating a distinctive programme of events and festivals. Durham is now at the hub of an expanding network of major attractions which includes Beamish and the Heritage Coast.

Our rural economy is thriving, underpinned not only by tourism but by a growing demand for sustainable, local food production and the continued growth of the knowledge economy. Our key rural centres – including Barnard Castle and Stanhope – are home to a wide range of small businesses attracted by their quality of life as well as the quality of their business infrastructure, including high speed broadband.

Developing our links with the City Regions has created a stronger market for new firms, and we are creating many more new start businesses. Long-term investments in changing entrepreneurial attitudes amongst young people, women, BME residents and others living in our most deprived neighbourhoods, have paid real dividends.

Improved educational attainment – driven by our investments in new schools and adult skills - have provided the bedrock for improved productivity and underpinned our ability to attract knowledge-based investment. Now, everyone between the age of 16 and 35 is in work or in some form of education, employment or training.

Our population is increasing, and increasingly diverse. Many more young people and working age families are remaining in the County, attracted by new jobs, by a wide choice of housing in safe, secure communities, and by the quality of our schools. Our major centres – including Bishop Auckland, Peterlee and Stanley – provide retail, office and leisure based employment for the hinterlands which they serve.

We have revitalised our housing market through the Growth Point programme and other initiatives which have created truly sustainable communities which are safe, secure and well-managed and provide a wide range of affordable housing for sale and rent. Our Building Schools for the Future programme has created new schools at the heart of our communities providing a range of facilities and services for all residents.

We have invested in enhancing the capacity and environmental quality of the strategic routes across the County. Junction improvements have been made to the A19 and A1 to cater for growth, and the second Tyne Tunnel is now open. These, along with regular fast train services connecting Tyne and Wear and the Tees Valley, have improved access to employment opportunities and have enabled visitors to access more of our retail, leisure and tourism assets. Bus services between the villages and the main centres are also much improved and now almost 50% of journeys to work, school or college are made using public transport.

Strategic aims

The strategy sets out a desired future or 'vision story' for the County Durham economy which seeks to capture what will be distinctive, and different about the County if the strategy is implemented successfully. We will realise our aspirations for sustainable economic growth by focusing on three, strongly inter-related strategic aims:

Competitive Business Aim

to strengthen the competitiveness and productivity of our businesses to create an enterprise culture and performance which matches the best in England - increasing employment, per capita GVA and business start-up and survival rates

The Competitive Business Aim sets out our strategic aim for a more diverse, knowledge-based economy. In delivering this aim this section explains how the County's existing economic assets in manufacturing, engineering, tourism and leisure will continue to be supported and developed, alongside the growth of more knowledge based businesses. Our objectives under Aim 1 of the Economic Strategy are to

- strengthen the competitiveness and productivity of all existing businesses
- create an enterprise surge
- support the creation of a sustainable, high value added manufacturing and engineering sector
- expand our knowledge economy
- develop our tourism sector
- promote the continued development and diversification of the rural economy.

Competitive People Aim

to enhance the employability and skills of our workforce – increasing productivity and economic participation and reducing social exclusion

The Competitive People Aim argues that the skills, abilities and attitudes of the County Durham workforce are critical to the future economic success of the County and will underpin the move to a knowledge-based economy. As well as developing the local workforce, it will be important to ensure that skilled workers are attracted and retained from outside the region and indeed outside the UK.

To achieve this, the strategy will focus on the following competitive people objectives:

- raise the aspirations, participation and educational attainment of young people
- re-engage adults with work and lifelong learning
- develop workforce skills

Competitive Places Aim

to develop economically competitive places and sustainable communities to support our efforts to create long-term economic growth

The Competitive Places Aim highlights the critical role of *place* in achieving both economic development and social inclusion. County Durham has some key spatial assets that make it a good place to live, work and visit. The County has some high quality urban and rural environments, provides a vital connection between the North East's City Regions, and has a range of unique economic offers in comparison to the region's more densely populated areas. However, it also faces some significant spatial challenges – including peripherality (particularly in the rural west of the County), the need to reinvest in our business infrastructure and the negative environmental legacy of the County's former industrial base. The dispersed nature of our settlement pattern means that there are a large number of towns and villages across the county serving hinterlands of differing sizes; which makes it difficult to prioritise investment.

Flowing from the strategic aim for competitive places, our objectives are to:

- unlock the economic potential of our major centres to deliver a suitable range of retail, office and leisure-related activities to support their populations and wider hinterlands
- deliver sustainable communities and support housing development and renewal programmes in line with the sub-regional housing strategy
- bring forward quality strategic employment sites and premises to meet the accommodation needs of small businesses, manufacturers and logistics/distribution/warehousing companies
- develop existing and new tourism assets
- invest in our transport and ICT infrastructure
- develop local employment programmes to ensure local residents benefit from major commercial and industrial development.

This strategy signifies a clear shift in our approach to the economic function of the County's major centres, recognising that each has a distinctive role, and that some will make a stronger contribution to the economic growth of County Durham than others. The spatial framework has been identified on the basis of the operation of functional economies including labour markets, housing markets and shared

socio-economic characteristics. The five distinctive areas are: Durham City and the A1(M) Corridor, the East Durham A19 Corridor, the Bishop Auckland to Darlington Corridor, North West Durham and Rural West Durham.

Making it happen

In the final part of the CDES, we map out how we will deliver the strategy, setting out how the unitary authority for the County in collaboration with the CDEP, will provide a significant opportunity for County Durham to respond positively to the Government's proposals for devolved delivery, as articulated in SNR.

In this section we set out:

- how the County Durham Economic Partnership will demonstrate **leadership** to create the policy environment and secure the additional resources we require to realise our vision for the County
- the **targets** we are setting ourselves, and our partners, to measure progress – and what will happen if we don't achieve them
- **next steps** for delivery

This section also sets out eight headline targets which will drive the performance management of the strategy over the period to 2013 and are closely linked with the County Durham Local Area Agreement.