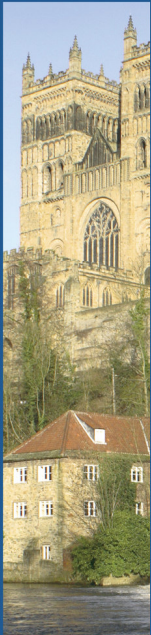


DRAFT



# “Building our Future”

County Durham  
Economic Strategy  
2008-2013

County Durham  
Economic  
Partnership



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# Executive Summary

## 1. Why do we need an economic strategy?

This is a summary of the draft Economic Strategy for County Durham. It has been prepared by the County Durham Economic Partnership (CDEP) – a group of more than 50 public, private and voluntary sector organisations working to promote economic development and regeneration across the County.

Access to secure, well paid employment is vital to the future of County Durham's people and its communities. We have some world class economic assets upon which we can build – including the City of Durham, Durham University and NETPark, which is the most important location for science and technology businesses in the North East.

We are also making progress in some important areas

- the number of young people obtaining five good GCSE's is increasing and the gap between our performance and the UK as a whole is narrowing
- there are increasing numbers of adults qualified to NVQ Level 2, with the basic skills to compete for jobs
- survival rates for new businesses are better than the national average – although not enough people are starting up a business or becoming self-employed.

Despite this, the long-term decline of our traditional industries, global pressures on manufacturing and the challenges faced by our rural businesses mean that we face an uncertain future. At present the gap in performance between the County Durham, North East and UK economies is widening. Today our Gross Value Added per capita – the value of the goods and services produced in County Durham – is amongst the lowest in the UK, and lower than areas like Cornwall or the Highlands which have benefited from massive financial support from the European Union.

The CDEP wants to create a more prosperous County where our businesses are creating more, high quality jobs for local people, and where County Durham residents can access training and well paid jobs. To do this we need to build consensus with businesses, local government, the Regional Development Agency and the public about the kind of economy we want in the future – and how we should work together to realise this.

The draft strategy sets out our long-term vision for the economy – where we want to get to by 2025 – and the actions we need to put in place over the period to 2013 to get there. These include proposals to develop the role of the University, NETPark and other economic assets; tackle the effects of the decline in our traditional industries and to reduce inequalities in access to learning, skills and employment.

## 2. Our vision

The County Durham Vision was agreed in February 2004 and sets out the following high-level vision for the County:

*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.*

So what might a prosperous, successful economy look like?

It is 2023....and County Durham is a modern dynamic economy and part of a thriving and prosperous North East, characterised by high levels of employment and income; a skilled workforce and businesses, competing in regional and global markets. Our economy is now one of the most productive in the UK.

We achieved this by building on our economic strengths – particularly manufacturing and engineering – and helping our key businesses to do more research and development in County Durham. We also transformed the industrial estates where they are based, improving their environmental quality and creating new opportunities for low cost energy.

Much of our success was founded on the links we created between our businesses, Durham University and other institutions. NETPark provides strong evidence of this collaboration and is now one of the largest and most successful science and technology parks in the North. Durham University’s research strengths in electronics, photonics, plastics and other materials have driven the growth of our knowledge economy – along with geothermal energy and other environmental technologies.

Durham City, with Newcastle and Doxford Park, has one of the highest concentrations of financial and business services employment in the North East. Its attractiveness as a business location was driven by efforts to open up strategic employment sites including Mount Oswald, which also houses a range of technology-driven business.

Durham City is also a world class tourism destination. Building on our existing assets, we improved the quality of the City Centre, developed new shopping and cultural facilities and a major programme of events and festivals. Durham is now at the heart of an expanding network of visitor attractions including Beamish; the renewable energy village at Eastgate which has transformed the economy of Weardale and along the Heritage Coast at Seaham.

Our major centres – including Bishop Auckland, Peterlee and Barnard Castle – provide a wide range of retail, office and leisure based employment for the hinterlands which they serve. Here, and in other priority neighbourhoods, we have revitalised our housing market, creating truly sustainable communities which are safe, secure and well-managed and provide more affordable housing for sale and rent. Our Building Schools for the Future programme has created new schools at the heart of our communities providing facilities and services for young and old alike.

Developing our manufacturing and engineering businesses and growing new sectors of the economy has created a stronger market for new businesses, and there has been a significant growth in business start ups. Our efforts to create a ‘can do’ attitude to enterprise amongst young people, women and other important groups have paid real dividends.

Improved educational attainment – driven by our investments in new schools – and adult skills have provided the bedrock for a more productive, high skilled economy and attraction knowledge-based businesses and workers. Now, everyone between the age of 16 and 35 is in work or in some form of education, employment or training.

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 jobs and for visitors to the County. Bus services between the villages and the main centres are also much improved; now almost 50% of journeys to work, school or college are made using public transport.

Our population is increasing, and increasingly diverse. Many more young people and working age families are remaining in or moving to the County, attracted by new jobs, by a wide choice of housing in safe, secure communities and by the quality of our schools. People want to live, work and play here.

## Our objectives

Realising the vision will require a step change in the productivity of our businesses; in the skills of our workforce; in our ability to work together in partnership and to influence our regional, national and European partners in their policies and investment.

We must focus our efforts on actions which will truly make a difference. The Economic Strategy identifies three key objectives:

- to make our businesses more competitive and productive, and rebuild a culture of enterprise across the County
- to improve the employability and skills of our workforce
- to improve the economic competitiveness of our major towns.

Creating a more competitive economy will support the development of truly sustainable communities, where people want to live. In turn, this will help to attract and retain the skilled, entrepreneurial workforce that will drive our economy in the future, and increase County Durham's contribution to a more prosperous North East.

## Measuring progress

How will we know if we are succeeding? The Economic Strategy aims to close the gap in performance between the County Durham economy, the North East and the UK – and we will measure our progress against eight ‘headline’ targets:

- to raise County Durham’s *Gross Value Added* from £5.5 billion in 2004 to £6.7 billion by 2012/13
- to achieve a net increase of at least 1,400 more *VAT registered businesses* between 2006 and 2013
- to narrow the gap in investment in research and development by the private sector and Government
- to create 9,000 more *employee jobs* between 2005 and 2012/13
- to reduce the number of residents on incapacity benefits by 4,000 to 32,230 by 2012/13
- to increase the proportion of working age adults in employment from 71.8% at the end of 2006 to 73% by 2012/13
- to increase the number of working adults qualified to at least *NVQ Level 3* to 51% by 2012/13
- to increase the number of working age adults qualified to at least *NVQ Level 4* to 25% by 2012/13
- to sustain average gross weekly earnings at 85% of the GB average by 2012/13.

These outcomes are realistic within the current regional policy framework and the level of resources available to the Partnership to stimulate and support economic growth. However, to truly narrow the gap, we County Durham would need to

- achieve growth in GVA in excess of 4% per annum – almost double current regional growth rates – to achieve our aspirational GVA target of £8 billion by 2012/13
- double current start up rates to increase the number of net additional VAT registered businesses from 200 to 400 per annum
- achieve massive increases in the proportion of our adult workforce educated to NVQ Level 3 (55%) and NVQ Level 4 (35%)
- to increase *average gross weekly earnings* for County Durham residents to 90% of the GB average from 85% in 2006

### 3. Our priorities

The strategy sets out a number of priorities under the themes of Competitive Business, Competitive People and Competitive Place.

#### Competitive Business

Priorities include

- diversifying our economy by developing our science and technology base through further growth of *NETPark*, working with Durham University to capitalise on its research and development strengths and growth of the renewable/geothermal energy sector through projects including the *GREAT Institute* and *Eastgate*
- working with our existing businesses to improve their productivity and increase workforce skills.
- improving the availability and take-up of broadband by developing a County-wide *wi-fi network* with the potential to be rolled out across the North East.

#### Competitive People

Priorities include:

- raising the aspirations of young people for work and learning
- *raising awareness of enterprise* by young people and other key target groups to increase the number of people interested in starting a business or becoming self-employed
- helping people to re-enter, and remain in work.

#### Competitive Place

Priorities include:

- transforming *Durham City's* role as a centre for tourism and financial/business services
- developing County Durham's tourism economy through key projects at Beamish, Barnard Castle and Eastgate and developing new opportunities for business tourism
- realising the potential of County Durham's *major urban and rural centres* to provide sustainable employment and services for the wider hinterlands which they serve
- supporting our smaller towns and villages to become sustainable.

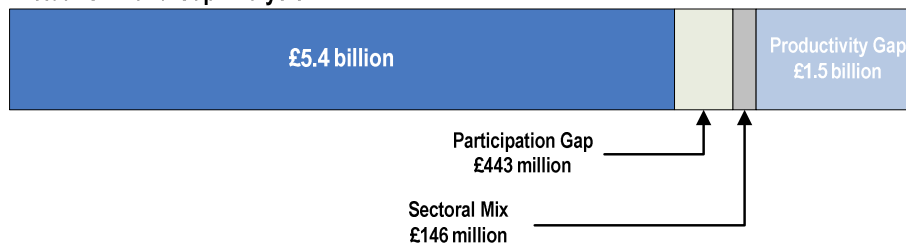
## 4. Our challenges

Our economy faces some very significant challenges. Today, the County Durham economy is underperforming as a result of low levels of business productivity and enterprise; a low skills base and large numbers of working age adults not participating in the labour market.

### Potential GVA



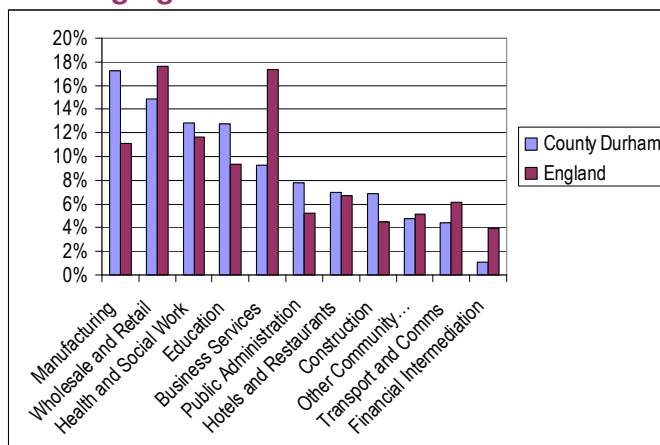
### Actual GVA and Gap Analysis



Our economy is not concentrated in a large conurbation, unlike other parts of the region. Our businesses and other economic assets are distributed right across the County – which also means that we have:

- a commercial property market which still remains characterised by *market failure* in some locations although Durham and a handful of other locations are witnessing increased investment by the private sector
- poor quality public transport, and limited east-west highways connections, which constrain the ability of County Durham residents to *access employment and training*.

## Sectoral Mix; Manufacturing Boosting Employment, Future Prospects are Challenging



Source: Annual Business Enquiry, 2005

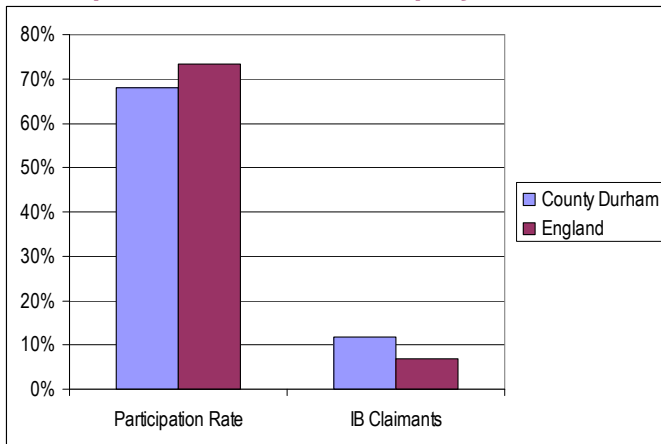
Despite significant employment losses (17,000 in less than 10 years), manufacturing remains County Durham's most significant sector.

County Durham is particularly weak in Business Services and Financial intermediation.

**Generally, the local economy is becoming more heavily skewed towards lower value added activities.**



### Participation: Too Few in Employment



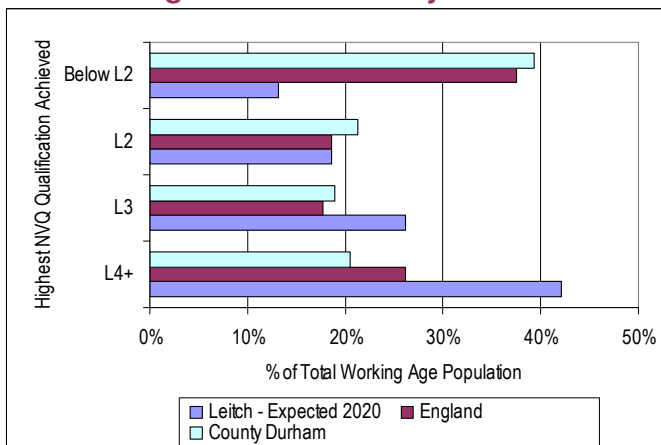
Source: DWP 2006, LFS 2004

The participation gap consists of lower rates of economic activity and higher unemployment.

Improving participation to national levels would require **17,000 residents to take up employment.**

High levels of incapacity benefit (IB) claimants and other forms of inactivity increase the difficulty of lowering worklessness.

### A Knowledge Based Economy and the Skills Gap: The 2020 Workforce



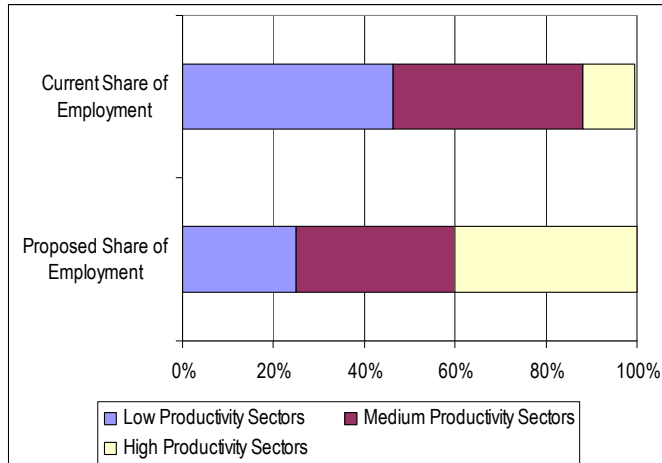
Source: Annual Population Survey, 2005

The availability of skilled labour is essential for a high productivity, knowledge based economy.

County Durham currently has a lower skills base than England, particularly for graduate level skills.

Leitch predictions for 2020 would require a doubling of people with Level 4 qualifications in County Durham – **an increase of 64,260 graduates** in the workforce.

## A Competitive Employment Structure: A Massive Shift to High Value Added



Closing the productivity gap will require a **significant shift of employment from low to high value added employment sectors** (including Financial and Business Services).

Medium productivity employment would decline but to a much lesser extent – from 42% to 35% of total employment.

These are in line with the Leitch predictions that over 40% of the workforce will require NVQ L4+

Source: Annual Population Survey 2006, Leitch Review of Skills

## 5. Implementation

Once the Economic Strategy is finalised, the CDEP will develop an Action Plan which will set out how we will deliver these priorities over the next three years and in the longer term where necessary. Both the Strategy and the Action Plan will be subject to assessments for their impact on sustainability and equalities.

# 1 Introduction

The County Durham Economic Partnership (CDEP) comprises over fifty organisations that are committed to increasing economic growth and economic competitiveness in the County. The Economic Partnership was created in 1994 and produced its first strategy the following year. This is the third Economic Strategy, and will cover the period 2008-2013. CDEP has responsibility for leading and driving the delivery of the strategy, with named members, who have accepted an obligation to work with other appropriate members of the partnership, responsible *to the partnership* for named elements.

The purpose of the Economic Strategy is to set out an aspirational and challenging vision for the growth of the County Durham economy, and to translate this into broad objectives and priorities. These will guide the actions and investment of the CDEP and its public, private and voluntary/community sector partners to deliver the strategy. The Strategy provides the framework for a more detailed Action Plan, which will be prepared following the consultation on the Economic Strategy, and which will highlight priorities for delivery over the next 3-5 years and longer term actions.

The Economic Strategy is set out in seven sections:

- Section 2 presents an economic analysis which sets out the scale of the challenge facing the Economic Partnership in addressing structural weaknesses in the economy;
- Section 3 sets out our vision for County Durham in 2025 and translates the vision into a series of strategic objectives that will guide our actions and investment;
- Section 4 sets out our proposals to strengthen the competitiveness and productivity of our businesses and to create the conditions for enterprise growth;
- Section 5 details our proposals to enhance the employability and skills of our workforce and to boost the aspirations, participation and attainment of our young people;
- Section 6 describes how we will develop economically competitive places and sustainable communities;
- Section 7 sets out how we will deliver the strategy – and outlines the targets and monitoring arrangements that we will put in place.

## A formidable challenge...

This strategy sets out an aspirational vision of the future – but realising the vision will represent a formidable challenge. At present, the gap in economic performance between County Durham and the regional and national economies is widening.

The long-term decline of the traditional industries has created an economic, social and environmental legacy in parts of the County. Globalisation pressures have impacted on the sustainability of some of the inward investment – particularly in manufacturing and engineering – which replaced jobs lost in the traditional industries. The rural economy has also faced many significant challenges in recent years.

Today, our Gross Value Added per capita – an important measure of economic output – is amongst the lowest in the UK. 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, we may not be able to realise our ambition.

### Starting the Journey

We face a very significant challenge, 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;
- the number of people in the labour force qualified to Level 2 is increasing;
- business survival rates, at both one and 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.

These successes illustrate that with sufficient investment, the economic performance of the County can be improved. However, 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 entrepreneurship; in the attitudes and attainment of our young people and the adult workforce; in the urban quality and attractiveness of our major centres, and in the creation of sustainable communities where people want to live and work.

This Economic Strategy should be viewed as the first step on the journey to moving the County to a high productivity economy. The initial stages centre on strengthening business performance, putting in place the economic infrastructure for growth, and addressing the underlying issues of skills and worklessness. By the end of the strategy period – 2013 – we anticipate that the County will be making sustained progress towards these objectives.

We have some world class economic assets upon which we can build - including Durham City, the University of Durham and NETPark, which is the most important science and technology park in the North East, and has further growth potential. The potential of our most important asset – our people – remains untapped.

Durham University is the leading university in the north of England with outstanding strengths across the board. In 2005, the University was ranked in the world top 20 and first in the UK for the impact of its scientific research. It has developed and will continue to develop world leading research institutes in the Sciences, many of which are interdisciplinary in nature, such as the Wolfson Research Institute and the newly formed Biophysical Sciences Institute. It recruits exceptional and highly talented students with the highest A' Level scores in the Country apart from Oxbridge; and 30% stay in the region. But the University is not just about hi-tech science and innovation. Durham is the leading university in the country for community regeneration through sport, has extensive arts and culture assets and programmes, has the leading business school in the North East and is a leading centre in Europe for researching and developing fresh approaches to economic development based on the social economy.

However, the Economic Strategy is about need as well as opportunity, and takes full account of the aspirations of key stakeholders for the social and economic re-vitalisation of the County. Inevitably this

includes issues such as housing, neighbourhood renewal and education which are driven by Sustainable Community Strategies and Local Area Agreements.

To deliver the strategy, we will also need a step change in our ability to work in partnership, and in the level of sustained public sector investment to catalyse our economic resurgence. 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. This will be a long journey, and the purpose of this strategy is to develop a momentum on which accelerated growth can be established.

## Strategic Context

The County Durham Economic Strategy is set firmly in the context of the **Regional Economic Strategy** and Action Plan, the **Regional Spatial Strategy** and the City Regional plans of the Tyne and Wear and Tees Valley conurbations. This is important – County Durham's location and its relationship with the city regions in terms of labour markets, housing markets, transport and retail catchments mean that we are well placed to contribute to the growth of the City Regions, as well as benefiting from it.

The Tyne & Wear and Tees Valley functional city regions are recognised as extending beyond their respective traditional administrative boundaries. Much of County Durham is considered to be functionally part of one or other of the two city regions.

The Tyne and Wear and Tees Valley City Region Programmes set out ambitious plans to accelerate economic growth across the North East. These have become key implementation plans in terms of taking forward the Regional Economic Strategy. Both Programmes include a broad range of intervention areas, many of which are relevant to County Durham.

**The Tyne and Wear City Region Development Programme** (CRDP) highlights four main priority spatial areas as Newcastle, Gateshead, Sunderland and Durham City, with growth proposed around core urban areas and key transport nodes. It also notes “the districts of Derwentside, Chester le Street, Durham and Easington have strong interactions with the conurbation, with some parts coterminous with the built up area.” Major themes of Science City (working with a number of Universities including Durham University), business and professional services, e-connectivity, worklessness and educational achievement and skills are all relevant to the County, and this Strategy is consistent with and supportive of the City Region Plan. As the most Northerly city region in the Northern Way, the Tyne and Wear CRDP identifies issues of peripherality – this emphasises the need to invest in transport infrastructure to reduce economic disparities.

**The Tees Valley City Region Development Programme**, while building on the world class chemicals industry at the core of the conurbation, also envisages further development of Peterlee as an employment location, capitalising on NETPark, and a focus on key sectors including logistics, engineering and tourism. The programme proposes further development of the Darlington Gateway with a number of key investments within County Durham. Recent work by NERIP (North East Regional Information Partnership) shows that there are already substantial flows of people from the south and east of the County into Tees Valley for work, learning and leisure. This needs to be considered by both County Durham and Tees Valley Partners in developing economic strategies.

## 2. The Economic Challenge

### The Output Gap

The main economic challenge facing County Durham is narrowing the output gap with the regional and national economies. In 2004, output per head stood at £10,900 which was 81% of the North East figure and only 64% of output per head across England. Total output of County Durham stood at £5.4 billion representing a £2.1 billion output gap against the national average<sup>1</sup>.

The County Durham output gap can be explained by the following combination of factors:

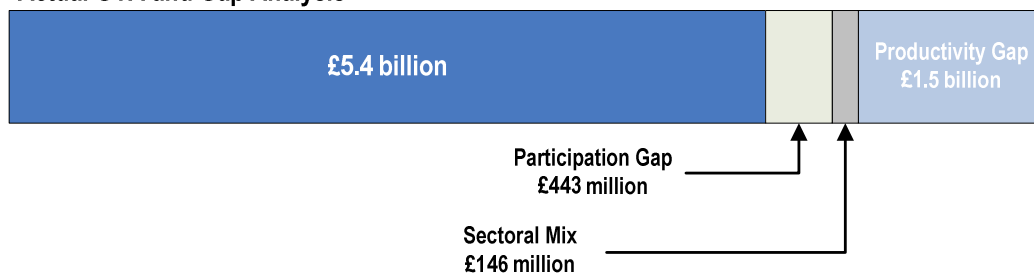
- Lower than average levels of participation in the labour market;
- A sectoral mix of industries where high value added employment (manufacturing) has been in decline, and employment growth has been characterised by low value added services; and
- Low average productivity in all sectors, except manufacturing.

### Components of the Output Gap, 2004 (Source: ONS/ EKOS Analysis)

#### Potential GVA



#### Actual GVA and Gap Analysis



Increasing participation (employment) to national levels would add £443m to GVA, while changing the industrial mix would add a more modest £146m. This relatively small increase from changing the industrial structure reflects the high value added of manufacturing, and the relatively low value added from service sector employment in the North East.

The productivity gap is the most significant constituent of the output gap with England. Productivity is driven by a number of key factors including:

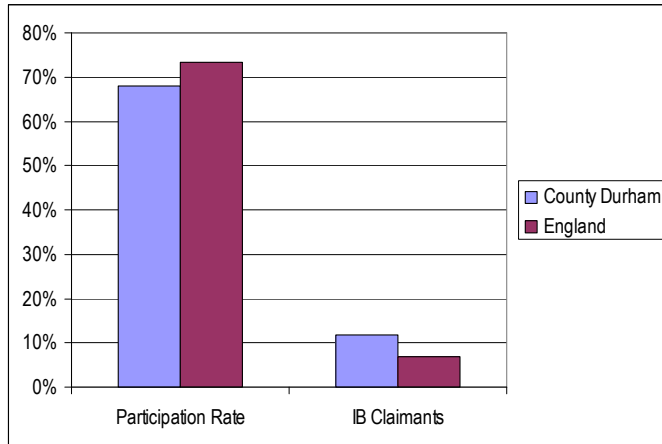
- The workforce skills base;
- Levels of capital investment;
- Investment in R&D and levels of innovation; and
- The degree of competitiveness within the local and other competitor marketplaces.

Addressing company productivity is a critical element of the regeneration of the economy, and this will involve a combination of working with existing companies and supporting new companies, including

<sup>1</sup> This analysis takes into account net commuting effects, which reduce total output of County Durham by £1.2 billion, as much of this income will flow into the County as the wages.

inward investment, and encouraging knowledge and technology transfer between the University and the County's businesses. In all sectors (with the exception of manufacturing), North East and County Durham companies significantly under-perform compared to the national average.

### Participation: Too Few in Employment



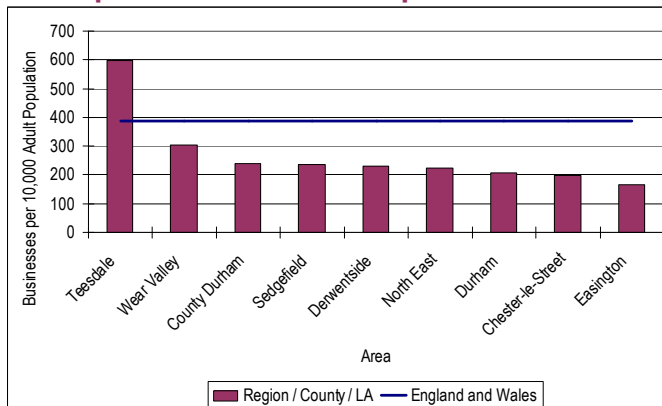
Source: DWP 2006, LFS 2004

The participation gap consists of lower rates of economic activity and higher unemployment.

Improving participation to national levels would require **17,000 residents to take up employment.**

High levels of incapacity benefit (IB) claimants and other forms of inactivity increase the difficulty of lowering worklessness.

### Participation: Too Few Companies / Too Few Jobs



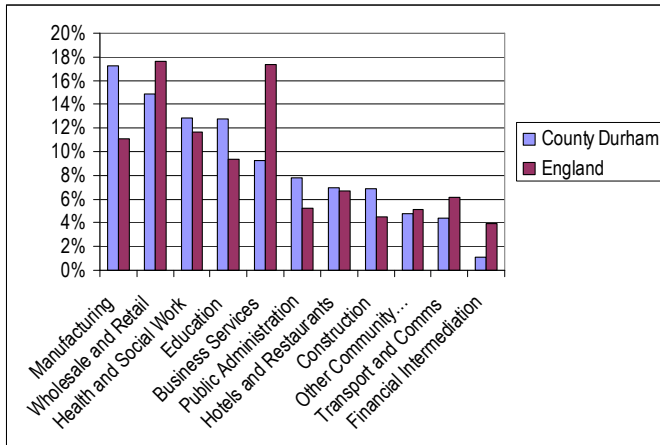
Source: SBS VAT Registrations, 2005

VAT registrations per adult population are significantly below national levels.

Increased entrepreneurial activity and inward investment would create significant employment opportunities.

Closing the enterprise gap would require the creation of **6,000 additional businesses, and would lead to circa 15,000 new jobs.**

### Sectoral Mix; Manufacturing Boosting Employment, Future Prospects are Challenging



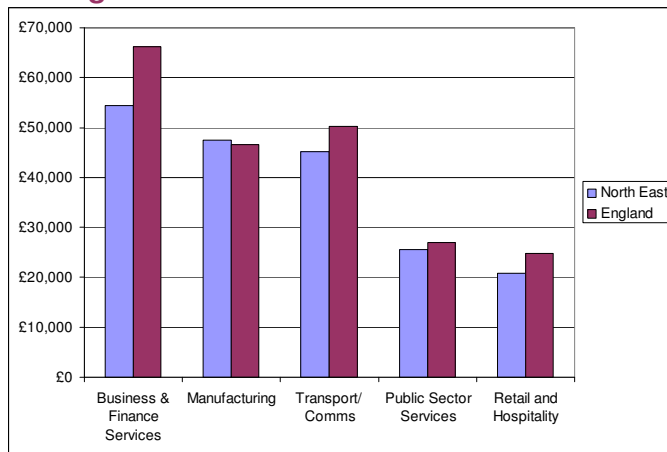
Source: Annual Business Enquiry, 2005

Despite significant employment losses (17,000 in less than 10 years), manufacturing remains County Durham's most significant sector.

County Durham is particularly weak in Business Services and Financial intermediation.

**Generally, the local economy is becoming more heavily skewed towards lower value added activities.**

### Productivity: Most Sectors have Productivity Levels Well Below the National Average



Source: ONS 2004

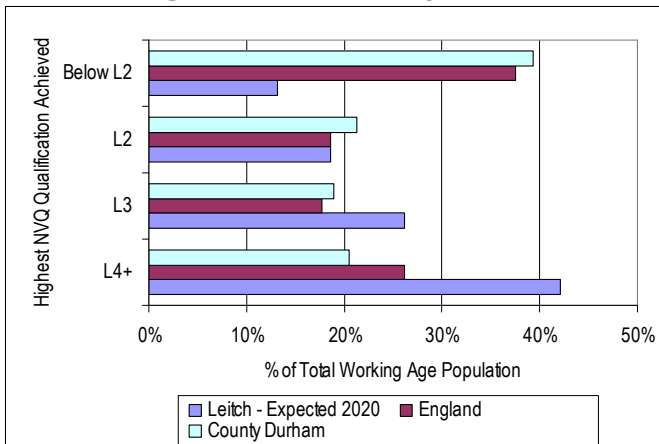
County Durham has lower productivity than nationally in almost all sectors besides manufacturing and the gap is greatest for the higher value added Financial and Business Services sectors.

A shift from manufacturing to retail and hospitality and public services would significantly reduce output.

**Maintaining manufacturing employment and increasing high value added service employment are critical to closing the prosperity gap.**



### A Knowledge Based Economy and the Skills Gap: The 2020 Workforce



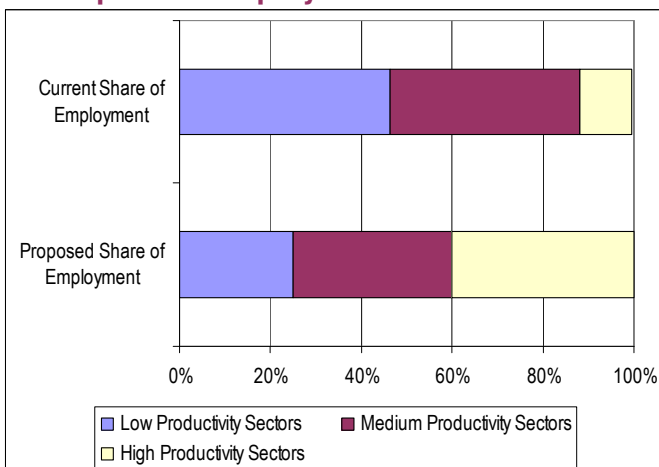
Source: Annual Population Survey, 2005

The availability of skilled labour is essential for a high productivity, knowledge based economy.

County Durham currently has a lower skills base than England, particularly for graduate level skills.

Leitch predictions for 2020 would require a doubling of people with Level 4 qualifications in County Durham – **an increase of 64,260 graduates** in the workforce.

### A Competitive Employment Structure: A Massive Shift to High Value Added



Source: Annual Population Survey 2006, Leitch Review of Skills

Closing the productivity gap will require a **significant shift of employment from low to high value added employment sectors** (including Financial and Business Services).

Medium productivity employment would decline but to a much lesser extent – from 42% to 35% of total employment.

These are in line with the Leitch predictions that over 40% of the workforce will require NVQ L4+

The analysis outlines an economy which has suffered from the long term erosion of its industrial base, with limited growth in service sector employment. There are two features which explain the performance of the economy. These are:

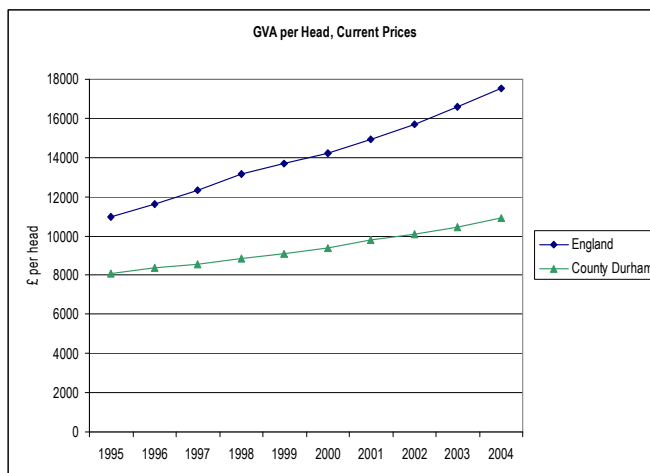
- A limited employment base, with low proportions of employment in growth sectors, notably business and professional services, and a limited business base; and
- Too few people in employment, a result of high numbers with limited skills/experience and motivation to take up opportunities, a limited range and type of jobs available locally, and insufficient take up of jobs in the nearby larger labour markets

These factors combine to make a large prosperity gap, with low levels of participation compounded by limited employment growth and a high proportion of low paid jobs. Some of the other underlying weaknesses include:

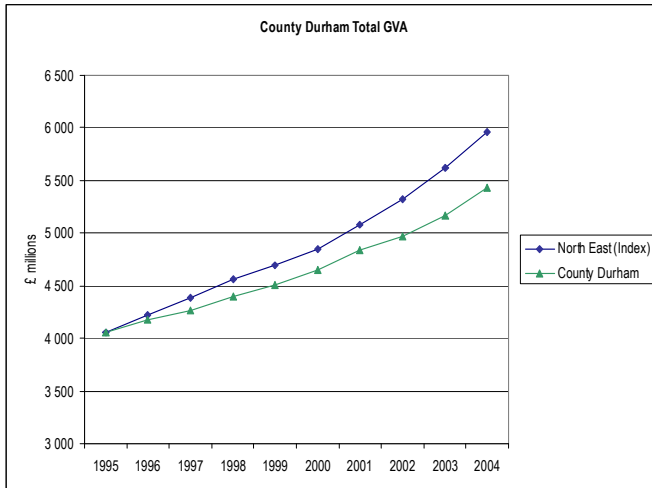
- A small internal market, partly a result of low participation rates and incomes, and partly due to a lack of opportunity to spend money locally. This is reflected in declining town centres and limited quality with regard to visitor accommodation, retail, pubs and restaurants;
- Low levels of enterprise overall, with high levels of micro-enterprises trading at less than £100,000 and £50,000 per annum;
- Poor quality business accommodation, with very limited availability of high quality accommodation or locations capable of attracting office based investment;
- An under-skilled, under-qualified workforce, which will make it difficult to increase productivity levels in the face of increasing global competition, and restricts the types of high value, high productivity inward investment the County is able to secure; and
- A significantly higher proportion of residents aged under 35 classed as Not In Employment, Education or Training (NEET) than the national average..

### What If . . . . The Current Trajectory Doesn't Change?

The latest available information on GVA per head in the North East shows that although the two urban conurbations have consolidated their position relative to the national average, GVA per head in both Northumberland and County Durham has deteriorated relative to the rest of the country. The County Durham GVA per capita figure has fallen over a ten year period from 75% of the UK average to just 64%. This is exceptionally low.

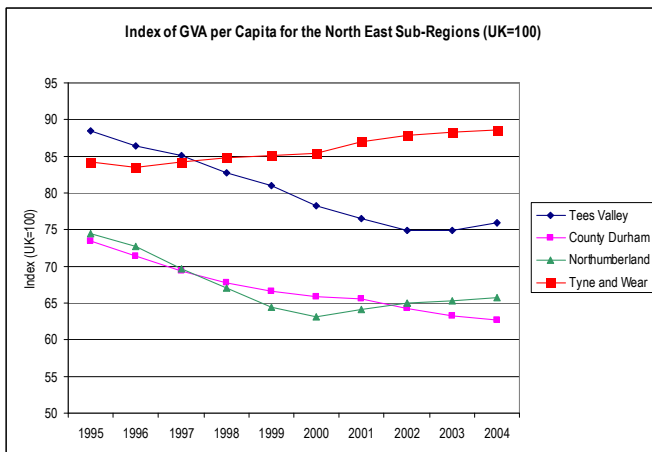


The gap between the County and the region's GVA/head has been widening, and this is in a context where the North East has the lowest GVA per head of any English region.



While County Durham's GVA reached £5.5 billion in 2004, up from £4 billion in 1995, the rate of growth was exceptionally low.

If the County has recorded average regional growth, the GVA would have been close to £6 billion. This would have had an effect both on the number of people in employment and on average incomes.



The consequences of lagging behind regional growth over a long period is that the County now has a GVA per capita figure which is amongst the lowest in England. At less than 65% of the UK per capita figure, it is at a level which would normally qualify for the highest levels of EU assistance. It is now well below Cornwall, which has Convergence status, and only the technical geographical classification of areas has led to County Durham not receiving a similar level of assistance.

The North East is the poorest performing of the English regions on GVA per head, and has been for some time. In order for the region to close the gap, all four sub regions need to perform well. County Durham accounts for 20% of the population and 16% of the region's output; the North East will not close the gap if a substantial part of the regional economy continues to lag behind. There is a danger of the North East becoming less cohesive and more polarised unless steps are taken to secure higher rates of growth across all parts of the region.

Today, County Durham has amongst the highest rates of unemployment and economic inactivity in England. The impact of further, long-term economic decline on individuals and communities is not sustainable. This future is not an option for County Durham – and this strategy sets out how we will create the conditions for more sustainable, long-term economic growth and spread the benefits to all residents of the County.

### 3 Our Vision

#### County Durham 2023

The County Durham Vision was agreed by key stakeholders in February 2004 and represents the high level strategy for the County. The Strategic Vision 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 that we described in section 1.

*It is 2023....and County Durham is a modern dynamic economy and a key part of a thriving and prosperous North East, characterised by high levels of employment and income; residents with high skills levels competing in a regional labour market, and our businesses competing in regional and global markets. Our economy is transformed, and our businesses are now amongst the most productive in the North of England.*

*We achieved this by building on our economic strengths – particularly manufacturing and engineering – and developing the design and R&D base of key businesses like Black and Decker and Thorn Lighting. We also invested heavily in renewing our major industrial estates, improving their environmental quality and creating new opportunities for low cost energy.*

*Much of our success was founded on the links we created between our businesses, the University of Durham and other HE institutions. NETPark provides strong evidence of this collaboration and is now one of the largest and most successful science and technology parks in the North. The University now ranks in the top 5 in the UK. 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.*

*Durham City, with Newcastle and Doxford Park, has one of the highest concentrations of financial and business services employment in the North East. Its attractiveness as a business location was driven by efforts to open up strategic employment sites including Mount Oswald, which also houses a range of technology-driven business.*

*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.*

*Sustaining our manufacturing and engineering base and developing new growth sectors created a stronger market for new firms, and our growth has been sustained by a significant increase in business start ups. The long-term investments we made in changing entrepreneurial attitudes amongst young people, women, BME residents and others living in our most deprived neighbourhoods, have paid real dividends.*

*Durham City is now 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 regionally important visitor attractions including Beamish; the new renewable energy village at Eastgate, in Weardale and along the Heritage Coast at Seaham.*

*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 a wide range of retail, office and leisure based employment for the hinterlands which they serve. Here, and in other priority neighbourhoods, we have revitalised our housing market, creating 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.*

*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.*

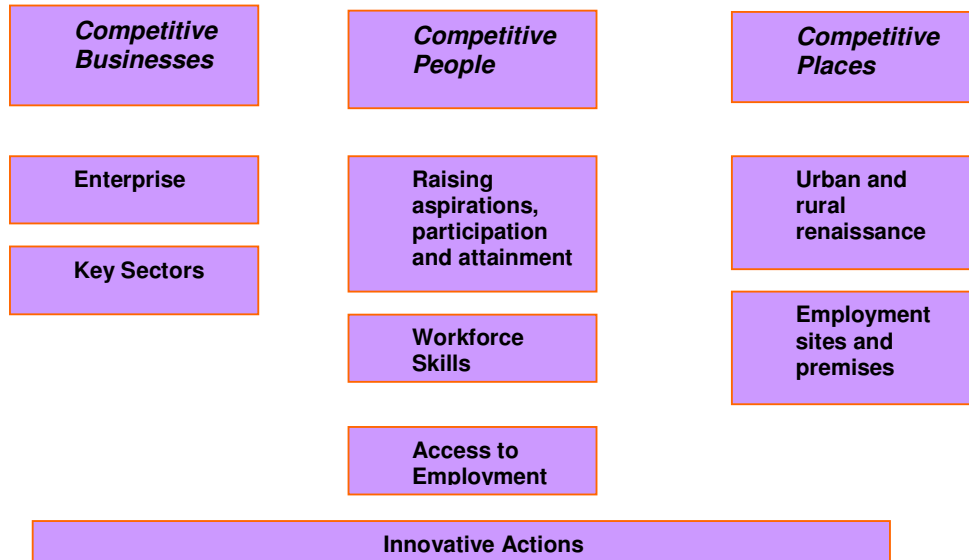
*As a result families and young people are staying and moving into the County – people want to live, work and play here.*

### **Strategic objectives**

The remainder of the strategy sets out how we will realise our aspirations for sustainable economic growth by focusing on three core objectives:

- 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
- to enhance the employability and skills of our workforce – increasing productivity and economic participation and reducing social exclusion
- to develop economically competitive places and sustainable communities to create the conditions for long-term economic growth

Economic regeneration will be driven by a twin-track approach. One is focussed on, increasing the productivity of the business base - we need to attract significant new investment in knowledge based and other growth industries, and strengthen the manufacturing base to cope with globalisation pressures. The other is focussed on increasing the economic participation of residents. The main strands of activity are outlined below:



## 4. Competitive Business

### Introduction

Although the County has a number of highly productive businesses, particularly in the manufacturing sector, business productivity is generally low, contributing to below average levels of household income. Raising the productivity of the County's businesses is a key priority for the Partnership and reflects regional efforts to raise GVA per head to 90% of the UK average by 2016.

Raising productivity will depend on a number of factors, including: maintaining high levels of sustainable manufacturing jobs, where value added is high; re-structuring the business base towards higher value added activities and growing sectors; ensuring the supply of appropriate business premises; and providing high quality business support to boost productivity.

In order to develop a competitive business base we need to:

- strengthen the competitiveness of all existing businesses, particularly manufacturing companies;
- diversify our economic base by developing and attracting more high value-added businesses, particularly in the knowledge economy. There is a significant opportunity to further commercialise the knowledge assets of the University of Durham and other universities in the North East. There are particular opportunities in financial and business services - where the County has the potential to increase its share of investment - and in tourism, where there is potential to increase the value-added generated by the sector;
- build on our success in sustaining survival rates for new firms by achieving a step change in our business birth rate, and in the number of young people, women and other under-represented groups that are considering becoming self-employed or starting their own business
- Draw more heavily on the University's strengths, especially the Durham Business School and outstanding work on the social economy.

### Improving the productivity of all of County Durham's businesses

A number of sectors can support the move to a more modern, competitive and sustainable economy, and have assets which can be further developed by the Economic Partnership. These sectors will underpin an employment base in the County, more closely allied to a modern and diverse economy. They are:

- A strong manufacturing base, based on highly competitive companies, many of whom are already based in the County (currently 28,103 employees, where there are some, strong competitive sub sectors);
- Back Office/Business Services (currently 15,161 employees, where there is continued employment growth forecast);
- Logistics (currently 7,217 employees, where the County has locational advantages);

- Retailing (currently 24,190 employees, including wholesale, where there is continued employment growth forecast);
- Tourism (currently 11,448 employed by Hotels and Restaurants, where there is continued employment growth forecast and the County has significant assets);
- Construction (currently 11,229 employees, opportunities from significant capital investment over the next ten years); and
- Public Sector (currently 12,695 employees, where the Lyons Review offers opportunities)<sup>2</sup>.

In a number of these sectors, intervention by the public sector has an important role to play in supporting companies become more competitive by providing support to enhance productivity, access new markets, invest in upskilling the workforce and providing modern business accommodation and infrastructure. There are many businesses in the County facing intense competitive pressures, and helping these companies to maintain employment levels is as important as creating new jobs. Indeed, business survival rates have been increasing in recent years and it is important that survival rates are improved again, particularly beyond three years of trading. Manufacturing – which already makes a strong contribution to County GVA – should be a priority for this support.

We must persuade people and businesses to take advantage of opportunities elsewhere in the County and outside of the County. This will involve persuading and supporting businesses to look at new markets, nationally and internationally, encouraging residents to consider employment opportunities in the City Regions, and encouraging young people to be more ambitious and aspirational.

Business Link North East and other partners including the North East Productivity Alliance will play a key role in stimulating the competitiveness of County Durham’s businesses and in delivering effective support to meet their needs.

<b>Productive Businesses</b>
<b>Aim: to increase the turnover, profitability and employment in competitive businesses through the provision of high quality business support</b>
<b>Priorities</b>
To support the provision of a County wide, demand led business support service, which provides a quality of service which matches the best in the Country
To increase the number of high growth companies operating in the County
To ensure that appropriate and where relevant intensive levels of support are available to companies with growth potential
To focus business support wherever possible on higher growth sectors of County and regional significance
To ensure there is sufficient high quality business premises to allow existing and new companies to invest and re-invest in the County



## Manufacturing

Despite significant restructuring – more than 17,000 manufacturing jobs have been lost since the mid 1990s - there continues to be a heavy bias towards manufacturing in County Durham. 'Manufacturing' is clearly broad, encompassing a large number of sub-sectors. There is clear evidence of specialisation in certain sub-sectors, and of relatively strong concentrations of employment in two of the North East's key clusters (electronics and clothing, which each employ twice the national average proportion of workers; over 500 work in the clothing sector<sup>3</sup>). Activities in motor vehicle manufacturing, which employs nearly 3,500 or 2.2% of all employees in the County, are also significant.

Across the County as a whole, the manufacturing 'sector' is fairly dispersed across a number of sub-sectors, many of which do not benefit from significant critical mass. However, particular parts of the County retain, and are developing, specialisms in various sub-sectors of manufacturing. For example, Derwentside's economic base is skewed towards manufacture of vehicles and rubber products. Other key activities include land transport, which accounts for over 5% of employees (1,200).

Easington and Sedgfield still show concentrations in the automotive and clothing manufacturing clusters, a major part of their past<sup>4</sup>. Agriculture and forestry are key providers of employment in Teesdale. Teesdale, being the home of the GlaxoSmithKline plant, has established itself as the main location for chemicals and chemical products employment in the County accounting for around 40% of the 2,200 chemical workers in County Durham. Fabricated metal products and chemical manufacturing sectors are small but significant sources of employment<sup>5</sup> in Chester-le-Street.

Manufacturing companies have a relatively high skills base, notably at Level 3, but there is a need to continually update skills in the light of increased competition from developing countries as well as traditional competitors. The skill needs of manufacturing companies, given their importance to the County economy, must be a priority for workforce development.

While the knowledge intensity of the industries identified varies, some are important assets for the future of the County's knowledge economy. Building on our successes with key businesses including Romag and Thorn Lighting, we will work with the County's manufacturing base to strengthen its research and development and design capacity.

<b>Manufacturing</b>
<b>Aim: to increase the competitiveness of the manufacturing and engineering sectors</b>
<b>Priorities</b>
Provide business support for all manufacturing and engineering companies via the Manufacturing Advisory Service and other relevant support programmes.
Increase the number of businesses trading regionally, nationally and internationally.
Raise awareness of, demand for and investment in higher level skills
Link local manufacturing companies to Durham University, NETPark and other expertise to strengthen design/r&d capacity.
Strengthen the range and quality of accommodation suitable for new and re-investment by manufacturing companies.

<sup>3</sup> ABI 2004 – note the number employed in the electronics sector is confidential data and cannot be released.

<sup>4</sup> The small number of firms in each sector in the two districts means the employment numbers cannot be released.

<sup>5</sup> Again, the numbers are too small to be released.

## Developing the knowledge economy

The University of Durham is a leading research and teaching institution with an international reputation. It employs a substantial number of people and the spending power of its graduate and post-graduate students has a major impact on the local economy. The University of Durham is one of few UK universities to sustain all science disciplines, and is ranked within the top 20 institutions in the world for its science research.

A key driver in the growth of the knowledge economy is the relationship between universities and business and their engagement at strategic sites such as the university campuses and NETPark. There is significant potential for Durham University to increase its contribution to the regional and sub-regional economies by: building its research and innovation capacity; knowledge transfer and the commercialisation of research outputs; the recruitment and retention of high quality graduates and post-graduates; developing its engagement programmes with business and the wider community.

**NETPark** is the most important science, engineering and technology park in the North East of England and has the potential to become home to hundreds of companies working in high value added knowledge economy activities, and thousands of highly skilled, highly productive employees. In addition to providing a focus for the commercialisation of University research and acting as a key hub for the Science City programme, NETPark will also connect County Durham businesses with the region's innovation expertise.

The Plastic Electronics Technology Centre (PETeC) at NETPark is one of the first of its type in the world and will position the region at the forefront of a revolutionary technology as one of the early activities under the Science City programme. It is also proposed to expand business incubator facilities and the related Business Village which provides bespoke R&D "pods" for expanding technology businesses. Further priorities include the development of NETPark.net – a community of practice to link NETPark to County Durham businesses through events and online support.

The University itself has one of the leading scientific research facilities in the UK underpinned by outstanding research strengths in physical sciences (Physics, Chemistry), Mathematics, Engineering, and Biological and Bio-medical Sciences. The CDEP will work with the University and One NorthEast to develop new opportunities in:

- Pharmaceuticals, health and Biophysical sciences
- Nanotechnology and microsystems
- Photonics
- New and renewable energy and other environmental science and technologies
- Materials science and technologies building on the links between the University and the PETeC plastics centre at NETPark.

The University is exploring the potential for a new Biophysical Science Institute, bringing together a number of disciplines, and is developing its capacity to engage with business through an Analytical Services programme. There are further opportunities to expand the County's research and innovation base and incubator and follow-on facilities for spin-outs at Mountjoy and Mount Oswald. The University's Business School and its work on the social economy will play a key role in strengthening links between the University and the County's economic base.

Beyond the University of Durham, the region's other universities already contribute to the County Durham economy, and there is the potential for further engagement with these institutions. The *GREAT (Geothermal Research, Education and Training) Institute* represents an important opportunity to develop the County's knowledge economy. As part of the Newcastle Science City programme, the District of

Easington Council and the University of Newcastle are working together on an ambitious energy project at the GREAT Institute that will make Easington an international centre of excellence in microgeneration and other technologies designed to reduce carbon dioxide emissions.

The GREAT Institute may be located at Hawthorn Business Park, Murton, in the heart of the former Durham coalfield. There are further opportunities to develop the County's expertise in renewables and microgeneration through the proposed renewable energy village at Eastgate.

<b>Developing the Knowledge Sector</b>
<b>Aim: to develop and commercialise County Durham's science, technology and knowledge base to create sustainable, high-value added employment</b>
<b>Priorities</b>
Further develop the role of NETPark as a key driver of regional innovation activity
Support the development of the GREAT Institute to strengthen our capacity and expertise in geothermal energy and other forms of microgeneration
Accelerate the commercialisation of knowledge assets in pharmaceuticals/biophysical sciences, nanotechnology and microsystems, photonics, new and renewable energy, and materials science and technologies
Expand the provision of incubator facilities
In the context of the two city-regions, expand links between the County's employers and workforce, and the other universities in the region

### Knowledge intensive business services

Knowledge intensive business services (KIBS) now contribute 25% to the region's GVA and the North East is continuing to increase its share of employment in KIBS sectors. In 2003, economic forecasts to underpin the Regional Economic Strategy and Regional Spatial Strategy<sup>6</sup> suggested that finance and business services would make a significant contribution to regional GVA growth over the period to 2016, increasing from £5.9 billion to £8.3 billion and create more than 4,000 additional jobs.

At present, the County Durham economy is under-represented in financial and business services employment, with just 10.4% of employee jobs compared to 15.6% for the North East and 20.7% for Great Britain as a whole. Employment in this sector across the County has almost doubled since 1995 but growth rates have slowed in recent years. Almost 40% of the jobs in this sector (7,200) are concentrated in Easington, where the former Enterprise Zones have attracted a number of call centre/service centre operators. Durham City is home to a further 5,500 jobs in financial and business services.

Attracting more investment and employment in knowledge intensive business services, retaining existing KIBS employment and supporting existing businesses to become more knowledge driven are key priorities. There are significant opportunities in value-added activities including multilingual technical support, healthcare, pharmaceutical applications and legal services and we will enhance our competitiveness by:

- a strong focus on skills - more than 70% of IBM's call centre staff in Scotland are now graduates and our University and Colleges have a key role to play in increasing the supply of graduates for the sector;

<sup>6</sup> Regional Spatial Strategy Deposit Draft (2005), Technical Background Papers 1 (Development Options) and 2 (Economic Prosperity and Growth)

- improving the supply of high quality office accommodation in key locations including Durham City.

<b>Knowledge Intensive Business Services</b>
<b>Aim: to increase employment and investment in KIBS and enhance the competitiveness and value added of existing finance and business services businesses</b>
<b>Priorities</b>
Enhance the competitiveness of existing businesses through support for workforce development
Increase the supply of graduates with relevant skills
Strengthen County Durham's offer as a competitive location for footloose investment in KIBS

### Growing the Tourism Sector

County Durham has significant environmental, heritage and tourism assets and tourism plays a key role in the County's economy. Assets include the City of Durham and its World Heritage Sites; Durham University which is working very closely with the Area Tourism Partnership; an attractive landscape, including the coast and North Pennines dales and uplands; a Test match cricket venue, unique industrial heritage, the Durham Coast, and nationally important museums at Beamish and Bowes and a series of high quality cultural and visitor attractions.

County Durham has the raw material to become a nationally significant tourism destination – but the economic potential of these assets has not yet been realised. There is significant scope to improve the tourism offer, including the quality and range of accommodation and food and drink offer across the County and to increase the tourism sector's contribution to higher GVA.

The County attracts around 1.4m overnight tourists and more than 16m day visits a year. Tourism contributes about £600 million a year to the local economy and supports over 12,000 jobs. The most significant attractions in terms of visitor numbers are Durham Castle and Cathedral, Beamish, and the Bowes Museum.

Overseas visitors are important although the average spend per visitor per night is low, which is believed to result from the relatively high proportion of long-staying but low-spending language students<sup>7</sup>. Business tourism is a very small (although high value) part of the tourism sector, and could be a major growth market for County Durham.

There is significant scope to improve the tourism offer, including the quality and range of accommodation and food and drink offer across the County – the sector offers substantial opportunities for driving SME business growth, and there are also opportunities to work with key tourism businesses to boost the sector's contribution to GVA. The tourism and hospitality industries also offer a range of entry-level employment opportunities, which are also routed for career progression. We need to ensure that the skills needs of the sector are addressed – not only in terms of entry level occupations, but also higher level skills such as qualified chefs and managers, etc.

County Durham's Area Tourism Partnership (ATP) is part of Tourism Network North East- comprising the regional tourism team and the tourism marketing team at One NorthEast and ATPs in each sub-

<sup>7</sup> STEAM analysis for County Durham, 2006

region. The ATP has developed the Area Tourism Management Plan (ATMaP) which identifies six priorities for investment:

- improving the quality of the visitor experience and raising awareness of quality standards across all elements of the sector, including transport providers;
- developing the County's tourism product by strengthening existing attractions (including Durham City, Beamish and the Bowes Museum) and bringing forward new, strategic visitor attractions (e.g. Auckland Castle, Seaham North Dock, Eastgate) and developing a County-wide events programme;
- implementing a major programme of workforce development for the tourism sector;
- adopting a strategic approach to visitor engagement/management;
- delivering a coordinated and strategic marketing programme.

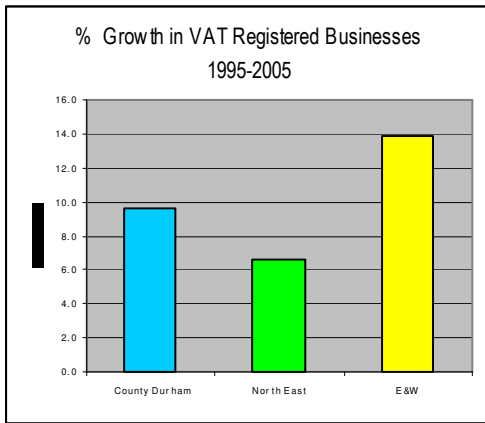
<b>Tourism, Heritage and Culture</b>
<b>Aim: to increase visitor numbers and expenditure to improve business competitiveness and increase sustainable employment in tourism related enterprises</b>
<b>Priorities</b>
Improving the tourism offer by raising the quality of tourism business, including enhancement of the quality and range of accommodation and food/drink offer, and raising skill levels.
Capital investment and wider economic development and business development initiatives to maximise the economic benefits from the region's main visitor attractions
A concerted marketing and promotion campaign, based on the County's main tourism assets, which positions County Durham as central to the wider North East visitor offer, including business/ conference tourism.
Continue to develop a programme of cultural, sporting, arts and heritage events that will enhance the image and perception (internally and externally) of County Durham as a vibrant and creative place.
Develop the tourism offer of rural areas by aligning funding (including rural development funding) to strengthen the position of key rural tourism assets.
Develop business tourism as a discreet market, including development of private sector led facilities and locations for events.

### Creating an enterprise surge

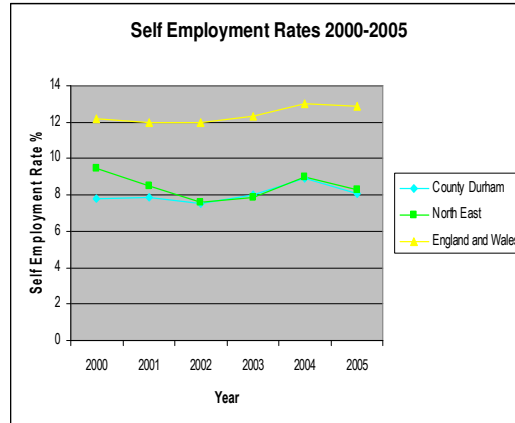
County Durham, and the North East as a whole, suffers from a lack of business dynamism, with fewer firms and lower business start up rates than elsewhere. County Durham has 9,600 VAT registered businesses. The number of businesses per head in County Durham is only 62% of the England and Wales average and closing the gap would require the creation of an additional 6,000 businesses.

Between 2000 and 2004 the number of new business start-ups increased although growth was still lower than the national and regional rate, demonstrating that County Durham continues to under-perform on new firm formation. The start-up rate in 2005 was 9.2% of total stock, compared with 9.6% in the North East and 9.7% for Great Britain as a whole. In addition, self-employment rates (8% of the working age population) are only two-thirds of the national average.

### New Business Creation and Self Employment Rates 2000-2005



Source: SBS Vat Registrations

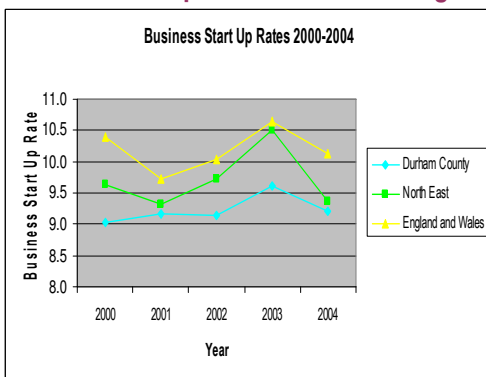


Source: Labour Force Survey Quarterly Four Quarter Averages – Self Employed as a % of all in Employment aged 16+

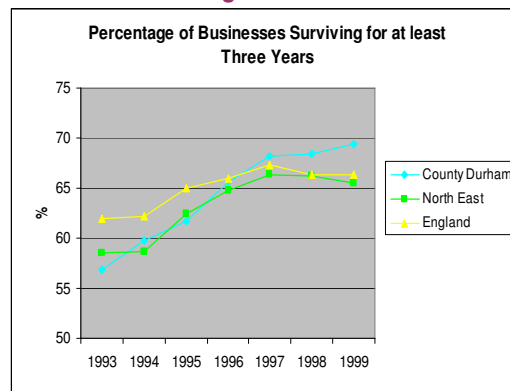
Start up rates vary across the Durham districts. Derwentside and Durham had the highest number of VAT registrations in 2005, with 165, with Teesdale and Chester-le-Street experiencing the lowest number of registrations (90 and 75 respectively).

Business survival rates are good and improving, with the likelihood of new businesses surviving in County Durham increasing markedly in recent years. Indeed, three year business survival rates are now 3 percentage points higher than the national level, with just under 70% of businesses surviving for three years or more. In 2005 VAT de-registrations for the County (7.7% of the business stock) were below the GB average.

### Business Start-up Rates and Percentage of Businesses Surviving for at least 3 Years



Source: SBS Vat Registrations  
Note: Calculated by using VAT registrations as a % of the total stock at the end of the year



Source: DTI Business Survival Rates

In the RES Action Plan, One NorthEast sets out ambitious proposals for an ‘enterprise surge’ to increase the business stock by almost one-third over the period to 2016 as part of efforts to boost GVA. For Durham, this target is even more challenging, requiring the number of net additional VAT registered

businesses to double from 200 to almost 400 per annum. To achieve this, we need a radical shift in our approach to enterprise and entrepreneurship, which will involve:

- accelerating our efforts to widen the pool of 'latent entrepreneurs' considering self-employment or starting a business, with a particular focus on those groups who are under-represented including young people, women and black and minority ethnic groups. We will build on and learn from the Local Enterprise Growth Initiative programme which is tackling these issues in our most deprived communities
- attracting more inward investment by building on the quality of life and business infrastructure of our rural communities - in 2006 research by One NorthEast showed that at least 50% of start ups in rural areas were generated by migrants (including those living in the urban conurbations)
- investing in initiatives to raise awareness of and change attitudes to enterprise and entrepreneurship, particularly with young people, and making more effective use of existing investment in this area.

In 2006, the CDEP published an Enterprise Strategy which sets out three core priorities for action: enterprise culture; widespread participation; and enterprising solutions. A number of themes link in to some of the cross cutting themes identified in the Economic Strategy. These include young people, rural areas, knowledge based businesses and enterprise in disadvantaged communities. The CDEP will undertake an early review of the Enterprise Strategy to ensure that it continues to guide the actions of Business Link North East, our enterprise agencies and a range of other partners.

Durham Business School has a critical role to play in rebuilding an enterprise culture in the County. The Business School is expanding rapidly and is the leading business school in the region and a leading business school in Europe on many indicators. It is expected to make a further step-change in its own development and its contributions to the region and more investment will be required to secure this expansion. In addition, we need to recognise the different forms of enterprise present within the County and the relevance of different forms of development through the social economy.

<b>Creating an enterprise surge</b>
<b>Aim: to increase the number and quality of new businesses starting up in County Durham</b>
<b>Priorities</b>
To increase the numbers and rate of new starts each year to a level which is consistently greater than the national average
To increase the number of women, young people and people from the BME communities starting up in business each year
To deliver the core objectives and targets of the LEGI and secure additional investment after the initial phase.
Develop the opportunities for enterprise within the social economy

## 5. Competitive People

### Introduction

The Leitch Review, published in 2006, highlighted the pivotal link between the UK's competitiveness in an increasingly globalised economy and its investment in the skills of young people and adults, noting

*'unless the UK can build on reforms to schools, colleges and universities and make its skills base one of its strengths, UK businesses will find it increasingly difficult to compete. As a result of low skills, the UK risks increasing inequality, deprivation and child poverty, and risks a generation cut off permanently from labour market opportunity. The best form of welfare is to ensure that people can adapt to Change... skills are now increasingly the key lever...a radical step-change is necessary'*

The Review recommends that the UK commits to becoming a world leader in skills by 2020, benchmarked against the upper quartile of the OECD. Leitch highlights the fundamental need for both employers and individuals to achieve a step change in their attitudes to and attainment of improved skills if the UK is to retain its economic competitiveness, and sets out some challenging targets to drive up attainment<sup>8</sup>:

- 95 per cent of adults to achieve the basic skills of functional literacy and numeracy, an increase from levels of 85 per cent literacy and 79 per cent numeracy in 2005;
- exceeding 90 per cent of adults qualified to at least Level 2, an increase from 69 per cent in 2005.
- shifting the balance of intermediate skills from Level 2 to Level 3 – achieving just under 2 million additional Level 3 attainments
- exceeding 40 per cent of adults qualified to Level 4 and above, up from 29 per cent in 2005, with a commitment to continue progression.

The Government published 'World Class Skills'<sup>9</sup> – its response to the Leitch Review – following the publication of its Sub National Review of Economic Development – in July 2007. The plan recognises the scale of the challenge inherent in Leitch's ambitious proposals for skills attainment by 2020 – and sets out some intermediate targets for basic, intermediate and higher level skills for 2011 and 2014.

The Implementation Plan sets out the Government's commitment to significantly increasing investment in employer-focused training programmes, and sets out a clear expectation that individuals and employers will take more responsibility for improving their skills and qualifications.

As we highlight in section 2, much of the gap in County Durham's economic output stems from low levels of business productivity, which in turn is a result of low workforce skills. This creates a vicious circle – a 'low skills equilibrium' – where businesses fail to create higher level employment opportunities as a result of their inability to fill vacancies of this type and individuals lack the motivation to acquire

<sup>8</sup> These four targets are national PSA targets to which the north east region and County Durham are expected to contribute.

<sup>9</sup> World Class Skills: Implementing the Leitch Review of Skills in England. Department for Universities, Innovation and Skills 2007



higher level skills. Insufficient skills levels amongst the workforce across the north of England are thought to account for £10bn of the £30bn productivity gap with the rest of England.

This must change. 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 from outside of the region and indeed outside the UK.

Creating a highly skilled workforce and raising employer demand for higher level skills are the most important priorities set out in this strategy. To achieve this, the strategy must focus on:

- raising the aspirations, participation and educational attainment of young people across the County, building on recent improvements in results at Key Stages 3 and 4, and on the opportunities created by the physical transformation of our schools and colleges;
- increasing adult participation in the labour market to reduce economic inactivity and worklessness;
- building the skills of the workforce, and creating employer and individual demand for higher level skills.

### **Raising aspirations, participation and attainment**

As we highlight in section 2, educational attainment is improving, particularly amongst younger pupils at Key Stage 2 (age 11) and Key Stage 3 (age 14), where performance is slightly better than in the North East, though slightly behind national levels. Performance at Key Stage 4 (GCSE) has improved over recent years – with 51.2% of pupils achieving 5 grades at A\*-C in 2006 – but this continues to lag the North East (53.6 %) and England (57.1%).

County Durham has an above average number of 17/18 year olds who are not in education, employment or training (NEET). The number of young people progressing into Higher Education is well below the Government's 50% target. In addition, graduate retention rates are lower than other areas that are home to an internationally recognised HE institution.

The cause of our under-performance is clear. For many years young people in County Durham have grown up against a back drop of a declining and, more recently, an under performing economy with local opportunities for work having reduced significantly. This is particularly true for the major towns and villages in the coalfield areas. The long term effect has been to reduce aspirations and ambitions amongst young people – and indeed adults.

The lack of aspiration amongst young people is now endemic in some communities, and sustained action is needed to address this. A number of regional programmes – for example the ASPIRE initiative – seek to raise the aspirations of young people for learning and work and to engage employers in the process – but we need to do more to narrow the gap in participation and attainment.

The County's infrastructure for 14-19 education will see unparalleled levels of investment over the period to 2013. The majority of our secondary schools will be refurbished or redeveloped under the Government's Building Schools for the Future programme. All of the County's Further Education Colleges have been, or will be rebuilt.

These investments will transform the environment for learning – and we will also achieve a step change in how we raise the aspirations of young people; increase their participation in post 16 learning and boost attainment to ensure that our future workforce is fully equipped to play its role in a highly skilled, knowledge based economy. Our priorities will include:

- a strong focus on Key Stage 3 (11-14) to raise aspirations for learning and strengthen attainment, particularly in English and Maths;
- delivering a more flexible Key Stage 4 curriculum, including a stronger emphasis on non-vocational GCSEs and Diplomas, delivered in partnership with Colleges and employers;
- enhancing opportunities for out of school learning and other non-curricular activities to raise and sustain aspirations for work and learning;
- providing a tailored approach to learning for every young person;
- accelerating our efforts to reduce NEETS, including a stronger focus on preventative work; better support for the transition at 16 and improving support for the most vulnerable groups including young mothers, carers and those at risk of offending.

<b>Raising aspirations, participation and attainment</b>
<b>Aim: To increase the number of young people participating in learning and work and enhance attainment</b>
<b>Priorities</b>
Enhance take up and delivery of initiatives designed to raise aspirations for work and learning, including links with employers
Increase the quality and scope of information, advice and guidance for young people, ensuring this is informed by knowledge of opportunities throughout the Region.
Further enhance the delivery of learning at KS3 and KS4 through a more flexible approach to development of the curriculum and non-vocational routes
Increase the GCSE attainment levels to above the regional and subsequently the national average with special emphasis on achievement of Maths and English
Ensure a full range and type of work related opportunities are available in the manufacturing, business services, logistics and tourism for young people age 14-19 linked to higher education and employment wherever possible
Promote progression to Higher Education in the Region through partnership arrangements between schools, further education and training sectors and Universities in the Region.

### **Building the skills of the workforce**

County Durham has a comparatively low-skilled workforce. There are at least 50,000 adults lacking in basic literacy or numeracy skills and without any formal qualifications, and although the proportion of adults with an NVQ Level 1 (76.9%) is only marginally below the GB average, the gap in attainment widens dramatically at NVQ Levels 2 to 4.

The gap is narrowing, particularly at NVQ Levels 1 and 2. However, there are still large numbers of economically inactive people and a low skilled economy, with many employers unable to recruit and retain the staff they need. Poor accessibility and attitudes to travel also constrain the operation of the

labour market. Some County Durham employers are finding it hard to fill vacancies – and some are increasingly looking to Eastern Europe, and beyond, to fill both low and high skill vacancies.

The limited availability of more highly skilled labour prevents local companies from moving up the value chain and limits the prospects of attracting knowledge based inward investors. The result is a concentration of employment growth in lower paid occupations. At the same time, employers do not appear to be willing to invest in higher level skills for their current workforce, maintaining the low skills equilibrium.

Over the next three to five years, the Government will significantly increase investment in both the Train to Gain programme – its primary vehicle for delivering support to attain Level 2 skills for both individuals and employers, and in Apprenticeships which provide opportunities for work-based learning at Level 3.

This represents a vital opportunity for County Durham to increase the supply of people with basic and intermediate level skills entering - and remaining in – the workforce. We will continue to expand the Level 2, 3 and 4 provision available to adults. We will improve choice for learners, reduce non-accredited provision where appropriate, and increase provision and participation at level 2, 3 and 4 through mainstream FE, Work Based Learning and Train to Gain. We will strengthen the role of the public sector in providing leadership to recruit and up skill staff.

We will also draw more heavily on Durham University and its role raising aspirations - widening participation in HE; workforce development through the HLS pathfinder; graduate and postgraduate engagement and retention in the workforce (through Knowledge Transfer Partnerships for example); and expanding the role of the University in science outreach and learning; and recognising the role of volunteering and sport in engaging disadvantaged and vulnerable individuals/ communities.

This, and our efforts to boost aspirations and attainment in schools, will create a stronger platform to encourage more young people and adults to participate in Higher Education. We will build on regional efforts to develop Foundation Degrees to encourage adults to enter HE; to enhance graduate retention in the County, and also to attract more graduates from elsewhere.

Raising the aspirations of employers – and boosting demand for higher level skills, particularly in manufacturing and the other key sectors identified in section 3 – remains a key priority for this strategy. The CDEP will work with key sector groups, the LSC, Sector Skills Councils and the emerging Employment and Skills Boards in both Tyne and Wear and the Tees Valley to highlight the benefits of upskilling the workforce and to ensure that the employment and skills system is operating in accord with the principles of the Leitch Review and the Sub National Review of Economic Development.

### **Building the skills of the workforce**

**Aim: to improve the skills levels of the workforce, at all levels, as a means of increasing the competitiveness of the business base of the County**

#### **Priorities:**

Increase the investment made by employers in the development of their own workforce especially in recognised and transferable qualifications

Use the public sector as a role model of recruitment and skill development with targets in place for ensuring all employees are qualified to at least Level 3 and for recruitment and training of young people and workless groups

Raise employer demand for higher level skills, particularly in manufacturing, financial and business services, tourism and in the public sector.

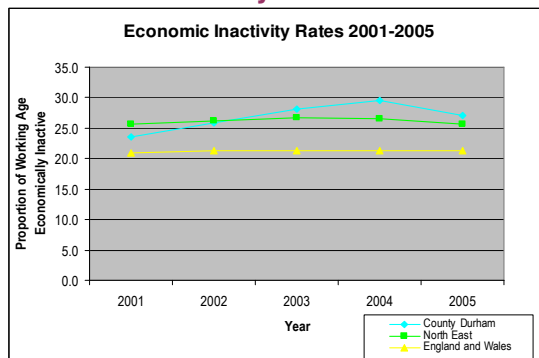
Enhance links with the emerging Employment and Skills Boards in Tyne and Wear and the Tees Valley to ensure County Durham residents benefit from a more streamlined employment and skills system and improved access to opportunities
Accelerate efforts to retain and attract graduates in the workforce
Enhance provision of Foundation Degrees and other pathways for adults into Higher Education
Development of skills and employment strategies for each of the Partnerships major projects, including the “Competitive Places” Strategy and develop clear responsibilities for linking education and skills actions within the County to the needs of excluded groups and disadvantaged communities to increase participation in the economy.
Drawing more heavily on the assets of Durham University as noted above

### Improving access to employment

Reducing the number of people who are economically inactive and claiming benefit by enabling them to return to and remain in the workforce is a key priority for the Government.

County Durham has a particularly high proportion of people of working age who are economically inactive, with some parts of East Durham amongst the most ‘employment deprived’ in England.

### Economic Inactivity Rates 2001-2005



Area	2001	2002	2003	2004	2005
CD	23.5	25.8	28.1	29.1	27.1
NE	25.6	26.2	26.7	26.6	25.7
E&W	21.0	21.3	21.2	21.3	21.3

Source: Labour Force Survey - Four Quarter Averages

Although in 2001 rates of economic inactivity amongst working age adults in County Durham were below the North East average, they increased dramatically between 2001 and 2004 and the gap has only recently begun to narrow. In 2006 there were more than 73,000 economically inactive people of working age (these figures include students, people who have retired early, and those with family and care responsibilities and not necessarily in receipt of benefits). Of those wanting work, (just under 17% of the total) most cited long-term sickness or disability or caring responsibilities as the primary barrier.

Nearly half of all those who are economically inactive in the County are claiming Incapacity Benefit, totalling 37,200. This represents 12.1% of the County’s working age population which is significantly higher than both the regional and national averages. Research indicates that 83% of the County’s economically inactive do not want a job. This emphasises the nature of the challenge we face in reducing rates of worklessness.

Incapacity benefit claimant rates are 170% of the national level. Worklessness is concentrated in Easington, where one in five people of working age receive Incapacity Benefit (IB), nearly three times the national average. Sedgefield, Wear Valley and Derwentside also have a large proportion of IB claimants.

## County Durham Benefit Claimants 2005

Area	Incapacity Benefit		Income Support		Job Seekers Allowance	
	Number of Claimant	% Working Age Pop	Number of Claimant	% Working Age Pop	Number of Claimant	% Working Age Pop
Chester-le-Street	3,300	10.0	1,800	5.5	600	1.8
Derwentside	5,900	11.3	3,400	6.5	1,300	2.5
Durham City	4,700	7.7	2,400	3.9	1,000	1.6
Easington	10,900	19.6	5,700	10.3	1,400	2.5
Sedgefield	6,800	12.7	3,900	7.3	1,600	3.0
Teesdale	1,000	6.7	600	4.0	200	1.3
Wear Valley	4,600	12.4	3,000	8.1	1,000	2.7
<b>Durham County</b>	<b>37,200</b>	<b>12.1</b>	<b>20,900</b>	<b>6.8</b>	<b>6,900</b>	<b>2.2</b>
<b>North East</b>	<b>167,900</b>	<b>10.7</b>	<b>115,500</b>	<b>7.4</b>	<b>46,300</b>	<b>2.9</b>
<b>England &amp; Wales</b>	<b>2,328,800</b>	<b>7.1</b>	<b>1,894,300</b>	<b>5.8</b>	<b>761,000</b>	<b>2.3</b>

Source: DWP Benefit Claimants (NOMIS) and 2004 ONS Mid Year Population Estimates

Worklessness in some parts of County Durham has become an inter-generational problem, and is no longer directly related to the decline of the traditional industries. Worklessness amongst younger people is often associated with mental health issues such as depression and anxiety. Low aspirations and a lack of employment opportunities has meant that in some communities, not working has become the norm, with people 'settling' for a life on reduced income via benefits.

After being in receipt of Incapacity Benefit for twelve months, the average duration of claim is eight years. The main causes of benefit receipt are mental / behavioural disorders, muscular-skeletal disorders and heart, circulatory or respiratory disorders. Increasing numbers of younger people are in receipt of Incapacity Benefit, often as a result of minor mental health / behavioural problems. Nationally, 44% of Incapacity Benefit claimants say they want to work at the appropriate time. In County Durham this equates to over 16,000 people.

We will accelerate our efforts to increase participation in the labour market and help those individuals excluded from the labour market to regain and retain employment. Securing employment opportunities for some groups can be difficult, particularly for those needing a supportive environment in the early stages of employment. We will ensure that each part of the County has a holistic, structured pathway for individuals seeking to return to the labour market, from initial engagement through to in-work support, and provide streamlined access for employers, in accord with the Regional Employability Framework. This will include a much stronger focus on long-term Incapacity Benefit claimants, Lone Parents and other priority groups. The public sector will lead by example by increasing opportunities for full and part-time working and work placements for those excluded from the labour market.

<b>Access To Employment</b>
<b>Aim: to increase the number of residents in employment through the provision of high quality support which removes barriers to individuals entering and re-entering the labour market.</b>
<b>Priorities</b>
Reduce the number of people on Incapacity Benefit in Easington
Focus additional and/or discretionary resources on those recently claiming Incapacity Benefit and those with dependent children
Increase the number of advisors working with difficult to reach groups on Incapacity Benefit or in neighbourhoods where the claimant rate is exceptionally high
Provide additional support to young people most at risk of becoming long term unemployed/workless
Work with employers, public and private sector, to increase the number of training and employment opportunities suitable for those returning to work
Providing employment and training opportunities in Tyne and Wear and Tees Valley City Regions
Support actions which reduce barriers to residents taking up opportunities in the main urban centres of the county and the region.

## 6. Competitive Places

### Introduction

Successful economies are dependent on a range of factors – economic diversity, a skilled workforce, connectivity, institutional capacity and innovation – and quality of life<sup>10</sup>. Increasingly *place* is recognised as a critical factor in achieving both economic development and social inclusion.

A growing economy and housing choice are both key factors in creating successful places. They influence the extent to which people are able to form new households, the ability of existing households to realise their aspirations and the long-term sustainability of communities. Yet successful places also need to offer a much wider range of leisure, cultural, shopping and learning opportunities if they are to attract and retain jobs and people. Research by US urbanist Richard Florida<sup>11</sup> goes further, arguing that tolerance, diversity and an openness to change are all key characteristics of successful places.

### Successful places reinvent themselves....

County Durham has a polycentric settlement pattern with no city of an equivalent size to those in the neighbouring city regions. The main urban area is Durham City, alongside a network of industrial and former mining towns, dispersed across the east of the County and its northern fringe. Traditionally many of these towns were fairly self-contained, with people generally living near to where they work, but decline in traditional industries has led to a greater need for travel. Some settlements still support jobs and services across a wider hinterland.

The restructuring of the economy has enabled some communities to reinvent their economic and spatial roles – often by positively exploiting their relationship with the North East's main conurbations:

- Durham City is strengthening its role as a key economic driver of the County, through the University, its World Heritage Site and through the emerging opportunities for specialist retail and financial and professional services investment;
- Newton Aycliffe, Consett and Stanley remain important industrial/office employment locations and are witnessing increased demand from both developers and occupiers;
- Seaham has become a significant commuter destination through its links with the Sunderland housing market and is developing a new role as a visitor destination;
- Bishop Auckland is expanding its role as a shopping centre serving an extensive catchment and as a commuter location;
- Barnard Castle is developing its role as a visitor destination and service centre for the south west of the County;
- Investment from both the public and private sectors at Drum Industrial Estate in Chester-le-Street has created a popular environment for businesses, capitalising on its links to the A1(M) corridor.

<sup>10</sup> Competitive European Cities: where do the Core Cities stand?, ODPM 2004.

<sup>11</sup> Florida, Richard (2005). *The Flight of the Creative Class. The New Global Competition for Talent*. HarperBusiness, HarperCollins

## A spatial framework

The Economic Strategy adopts a spatial framework which reflects existing labour market/travel to work patterns and the opportunity to connect areas of economic growth with areas of need. The spatial framework comprises the following areas:

- Durham City – perhaps the most significant area of economic opportunity with strong links to the Tyne and Wear City Region;
- the A1 Corridor – one of the critical links between the Tyne and Wear and Tees Valley City Regions encompassing NETPark – a key economic driver;
- the A19 Corridor – including the key centre of Peterlee, the emerging tourism opportunities at Seaham, and major efforts to promote housing market renewal;
- the Bishop Auckland to Darlington Corridor, including the key centre of Bishop Auckland, and Newton Aycliffe, a key industrial location;
- North West Durham, encompassing key industrial locations in Consett and Stanley;
- Rural Durham, including Barnard Castle which has the potential to become one of the North East's most vibrant market towns, and the major regeneration opportunity at Eastgate, in Weardale.

Detailed proposals for each of these areas are set out in the final part of section 6. In each of these areas, the balance of opportunity and need is quite different, and there is a mix of proposals for investment in:

- strategic employment sites and premises to meet the accommodation needs of small companies, the County's substantial manufacturing base, and medium and large sized businesses requiring high quality office space;
- unlocking the economic potential of our major centres to deliver retail, office and leisure-related employment to serve their wider hinterlands;
- developing new and existing tourism assets (see section 4);
- investment in transport and ICT infrastructure;
- delivering Sustainable Communities, and housing market renewal.

There are also plans for major strategic developments in the surrounding city-regions – Tees Valley to the south and Tyne and Wear to the north. We will need to be aware of these strategic developments, and ensure that we can maximise the benefits of these to County Durham by aligning our investment where this makes sense.



## Industrial, Business and Research Parks

The RES highlights the need to deliver a portfolio of high quality business accommodation, including the need for public sector intervention to overcome market failure in the provision of specialist accommodation. Whilst County Durham has a number of regionally significant employment locations, some of these have suffered from a lack of investment in recent years resulting in a poor quality environment. Others have an oversupply of obsolete premises which no longer reflect business needs.

There is evidence of increasing private sector investment in commercial and industrial projects across the County, but market failure remains in some key areas:

- a lack of high quality office accommodation, particularly in Durham and along the A1/A19 Corridors;
- a limited supply of industrial units in the 500-2000 sq.m range for businesses seeking to expand;
- in some locations, a limited supply of managed workspace and/or more intensively managed incubator units, and a need for the public sector to manage this stock on a more commercial basis in partnership with the private sector;
- In East Durham, the Enterprise Zones generated welcome investment but development was often driven by the needs of investors rather than occupiers; letting some of these vacant, good quality office and distribution premises is a short-term priority.

The public sector has a key role in maintaining a supply of high quality employment sites and premises. Increasingly, this will focus on enabling private sector development (through the planning system, utilising land assets etc) rather than direct supply. Where public investment is required, we will ensure that this is focused on tackling market failure and is coordinated through a pipeline approach to maintain an appropriate balance between supply and demand.

The CDEP has agreed a portfolio of strategic employment sites which will be the focus for both public and private sector investment over the period to 2013:

Site	Overview and Priorities
NETPark, Sedgfield	A flagship site and development continues at a pace. Continued support to NETPark is crucial to maintain the quality of new development and embed the benefits for the County economy.
Durham City	Investment is required in Durham City if it is to play its strategic role providing the County's key business and high quality office district. Key opportunities include Mount Oswald and Millburngate House. There are also a number of potential major employment sites just outside the city, at Tursdale and Bowburn, which could make a major contribution to accommodating employment in the County.
Aycliffe Industrial Park, Newton Aycliffe	Together with the Heighington Lane estate, Newton Aycliffe is the County's flagship estate with a substantial employment base. Major employers include Electrolux, 3M, Filtronic and Tetley. Image enhancements and re-branding are underway. There are substantial sites still capable of development and this should be pursued as a priority.

Site	Overview and Priorities
Belmont, Durham	Benefiting from excellent connectivity and proximity to Durham City, Belmont is a prestige site. Key development opportunities here must be brought forward as a priority.
Drum, Chester-le-Street	A successful development, where expansion is possible.
Tanfield Lea, Stanley	Renewal of the estate to meet the needs of existing and potential new employers.
Green Lane, Spennymoor	Where further private sector led investment is under consideration.
Hawthorn, Murton	Business Park located off the A19; first phase of development likely in 2010/11
Spectrum Park, Seaham	Located off the A19 and benefiting from new infrastructure the future success of this site we believe is dependent on the delivery of the town centre redevelopment proposals in Seaham.
South of Seaham Strategic Site	A proposal for a major creative media village is being considered and would bring significant private sector investment.

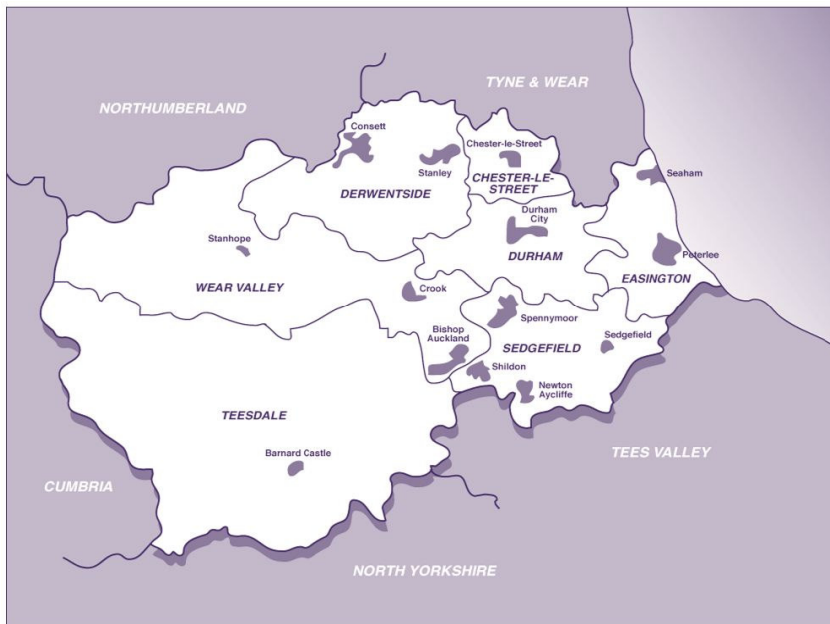
### Developing our major centres

The former County Structure Plan and Economic Strategy identify 14 settlements which act as service centres across the County. All, with the exception of Barnard Castle, Middleton in Teesdale and Stanhope are in the central corridor or the eastern part of the County, and form the characteristic polycentric network of settlements.

This strategy signifies a clear shift in our approach to the economic role of the County's key centres, recognising that each has a distinctive role, and that some will make a stronger contribution to the economic regeneration of County Durham than others:

- the City of Durham will be a driver of regional significance as it develops complementary economic roles;
- Bishop Auckland, Barnard Castle and Peterlee have the potential to strengthen their roles as shopping/service centres serving extensive hinterlands and creating sustainable employment for local residents;
- Newton Aycliffe, Peterlee, Consett and Stanley remain major industrial and business employment centres and have potential for further development of this role;
- Seaham, Bishop Auckland, Newton Aycliffe and Stanley are emerging as priorities for housing renewal – and have the potential for further housing growth.

## Distribution of the main towns in County Durham



NETPark and the City of Durham are key priorities for this strategy as they both have the potential to strengthen County Durham's contribution to regional economic growth. Ensuring that our major centres of industrial employment remain competitive is a further key priority; and our some of our centres (particularly Barnard Castle, Bishop Auckland and Peterlee) have the potential to strengthen their retail and service offer to sustain local employment.

### Improving infrastructure

In some parts of the County poor public transport links – and poor east-west road links – act as a significant barrier to travel. County Durham requires an integrated transport system to enable County Durham residents to access jobs, leisure and services throughout the County.

This is a significant and long-term challenge, but is nonetheless vital to secure sustainable economic regeneration. It will be important to work with other sub regions to continue make the case for major investment, including extension of the Metro system and enhanced rail and bus links.

*ICT* also has a major role to play in the economic development of the County. With a large rural area, and with a growing number of people working from home, *ICT* connectivity is a key service. There is an on-going challenge to ensure that the County has bandwidth availability that as a minimum matches that of the urban area. It will be vital to ensure that the County's businesses are not disadvantaged by inadequate infrastructure.

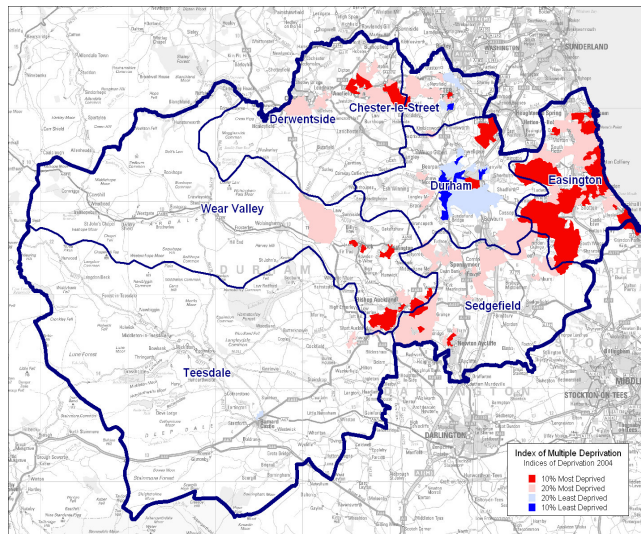
With a dispersed settlement pattern across a large geographical area it is not certain that the County will be an investment priority for up-graded connectivity. There is a role for the Economic Partnership both in advocacy with major suppliers and in pioneering innovative solutions, including the provision of wi-fi networks across the County.

While *ICT* infrastructure is crucial, it is the use to which it is put which will secure benefits for businesses and individuals. Encouraging take up and more extensive and sophisticated use of *ICT* will be

increasingly important as bandwidth increases. There are major opportunities for companies to reduce their costs and increase sales through the use on ICT.

### Delivering sustainable communities

As we highlight overleaf, some of our major centres are developing new roles – but others have continued to decline as their traditional economic roles have been eroded. Some are unlikely to witness further population or economic growth and will require support to manage this change.



County Durham suffers from particularly high levels of deprivation relating to health, employment, education, poverty and crime, with a significant number of communities ranked in the 20% most deprived nationally. Easington is one of the most deprived districts in the country, ranked seventh of the 355 districts in England.

Wear Valley, Sedgefield and Derwentside also rank amongst the 80 most deprived districts in England and therefore qualify for Neighbourhood Renewal Funding. Rural areas, particularly in the west of the County, suffer from barriers to housing and services, with many parts of the western uplands ranked in the 20% most deprived in England on this measure.

The link between deprivation, lack of employment and ill health needs to be tackled if significant progress is to be made in lifting neighbourhoods out of deprivation. A sustained, long-term and holistic programme of neighbourhood renewal is required – including investment to improve the quality and range of housing provision – to support efforts to revitalise the County Durham economy. These elements are inextricably linked – one cannot happen without the other.

In some parts of the County, the existing housing stock has become obsolete or unpopular; this encompasses both the social rented and private stock. Poor quality housing and its impact on the environment and quality of life is a compounding factor in undermining community confidence and self esteem. The 'Durham Coalfields Settlement Study'<sup>12</sup> and other research has highlighted the need to stimulate housing market renewal in some communities. This will combine clearance of obsolete housing and a mix of refurbishment and new development to create mixed communities with a more diverse mix of tenure and an improved environment – creating places where people want to live.

<sup>12</sup> Coalfield Settlement Study, Phase 2 Report. Jacobs Babbie, June 2005

At the same time, there is increasing developer interest in Seaham, Peterlee, Bishop Auckland and other communities. With an appropriate regional planning framework in place which allows modest population growth, County Durham can make a much stronger contribution to the Government's Sustainable Communities agenda.

Here, economic development will play a supporting role in our efforts to promote renewal of the housing market and to help communities become sustainable. The public sector has a role to play in ensuring that new investment in schools (through Building Schools for the Future), health and other local facilities, are used to stimulate new development by the private sector, both in terms of housing and retail/commercial investment. Economic regeneration activity will be fully aligned with the delivery of the Government's Sustainable Communities programme across the County.

## Spatial priorities

### Durham City

Durham City has a key role to play in the future economic development of the County, combining one of the most important visitor attractions in the region with outstanding environmental quality and one of the leading universities in the UK. The strengths of the University have been outlined on page 2. It is playing a key role in the 2020 Vision for Durham and will be at the heart of key developments in the city including a new visitor centre on Palace Green. The University is a conduit for bringing high calibre people from outside the North East into the region and the County and a physical expression of this will be the University's new Gateway development on Stockton Road.

The City of Durham will play a key role in driving the future economic growth of the County. It is one of the most important visitor destinations in the North East; home to one of the UK's leading Universities attracting some of the brightest students in the UK and has significant potential as a location for knowledge intensive business services.

Despite its strengths, the experience for residents, students and visitors is often marred by a limited range of retail, leisure and cultural facilities, poor quality public spaces, limited employment opportunities and a generally low economic performance.

The Durham City Vision project aims to deliver comprehensive revitalisation of the City of Durham, incorporating key sites, improving the public realm and the creation of a network of public spaces, in order to improve the city's offer to residents, students and visitors. The Durham City Vision partnership has established a masterplan to address these issues and to create a platform to enhance Durham's economic contribution to the region. Some of the emerging opportunities include:

- redevelopment of the former Ice Rink and other key sites including Mount Oswald, Claypath and Millburngate House for a mix of office, leisure and residential uses;
- a major programme of investment in the Market Place and Vennels to ensure that the quality of the public realm matches that of the World Heritage Site – and to act as a catalyst for further development and investment;
- developing a vibrant independent and speciality retail/leisure offer to extend tourist dwell times in the City;
- a new Necklace Park – a loose gathering of open space in a 12 mile reach of the River Wear to both the north and south of the City centre.;

- an integrated programme of public transport improvements and demand management to reduce congestion;
- proposals for enhanced management of the City Centre, including a possible Business Improvement District;
- a major programme of international events and festivals.

There are also opportunities to strengthen Durham's visitor offer, including the development of major conferencing facilities and a new visitor attraction celebrating the County's Christian heritage.

In delivering Durham City as a commercial centre, the provision of accommodation for three types of employment is crucial:

- General office accommodation
- Small scale professional office accommodation
- Workshops and managed workspace for new businesses and the creative industries.

There is already strong private sector interest in Durham and the Durham City Vision team has a key role to ensure that new development is consistent with the aims of the Durham City Centre Masterplan. Durham City Vision is a long-term programme.

### East Durham A19 Corridor

Centred on the A19, this area contains the main employment and commercial centres of East Durham, and includes some of the most disadvantaged communities in the North East. The Corridor forms a 'bridge' between the Tyne and Wear City Region and the Tees Valley City Region and is particularly closely connected to the economy of the City of Sunderland.

The area is an important investment location in its own right, with Peterlee a significant New Town, strategically well situated and with the potential to contribute to both the Tyne and Wear and Tees Valley City Regions; and Seaham reinventing itself as a visitor destination and commuter settlement.

Located only eight miles from Durham City and ten miles from Sunderland, Peterlee is home to 25% of Easington's population and a large proportion of employment. As a new town, designed to accommodate significant manufacturing employment, it has a number of large industrial estates.

The Seaham / Murton area is in the process of economic regeneration with much progress being made to create new housing and employment sites. Seaham Hall remains the North East's only 5\* hotel and regeneration of North Dock affords the opportunity to create a major visitor hub for the East Durham Heritage Coast. At Hawthorn, significant investment in the creation of a new business park will be complemented by the GREAT Institute (described in section 4).

Investment priorities in the A19 Corridor will include:

- *Strategic site/premises investment:* the A19 Corridor is an area of major employment concentration and provides jobs for thousands of residents from East Durham and beyond, but in some places the fabric of the existing employment sites and premises is rundown and in need of considerable investment to remain a competitive and attractive location for business; priorities include Spectrum Business Park, Hawthorn Business Park, the former Murton Colliery site; and consolidation/enhancement of the former Enterprise Zone sites in Peterlee

- regenerating the *major centres* of Peterlee and Seaham; Peterlee has the potential to strengthen its retail, service and housing role whilst there is further potential to develop Seaham's complementary role as a visitor destination and commuter location; there are opportunities to develop a major film studio/media village on the strategic site to the south of Seaham and also further growth potential at Dalton Park; with the adjoining communities of Dawdon, Horden and Easington Colliery, both are priorities for housing market renewal
- *access improvements*, including a range of highway improvements, the A19 connection to the Southern Sunderland radial route, the East Durham link to the A1 and the potential to enhance rail services on the Durham Coast line, including the provision of new rail halts.

Easington remains one of the most disadvantaged districts in England with over half of all the super output areas in the district classed as amongst the 10% most deprived in England. It will be vital to ensure that the economic opportunities outlined here benefit local residents – and that efforts to regenerate the economy are aligned with the ongoing revitalisation of the housing market and neighbourhood renewal programmes.

### **A1 (M) Central Corridor**

The A1(M) Corridor forms the main North South transport route through the county, linking the two city regions and includes the East Coast Mainline with a direct service from Durham City to London in less than three hours. Due to its inherent locational advantages the Central Corridor continues to be the most buoyant part of the County. Durham City and Chester le Street are the focal points for large residential areas, as well as being important retail and service centres in their own right, providing scope for retaining wealth generated within the County.

The corridor also contains several of the County's key assets, including the Durham City World Heritage Site and the Riverside Cricket Ground at Chester-le-Street, both of which are critical in raising the national and international profile of the County, and NETPark is located only a few minutes drive from the A1(M).

NETPark (section 3) and Durham City (section 6) are detailed elsewhere in this strategy. Other opportunities include:

- further development of the Riverside Cricket Ground at Chester-le-Street to ensure it cements its position as a world class test match venue, including a new hotel, conference facility and various improvements to the capacity and operation of the stadium to ensure that it retains ECB Test-match status
- proposals to enhance the connection between the Riverside with Chester-le-Street town centre
- further development of the Drum Industrial Estate
- housing market regeneration in Sacriston.

### **Bishop Auckland - Darlington Corridor**

The Bishop Auckland to Darlington Corridor contains the main commercial centres of south Durham, which serve a population of over 150,000 people including a wide rural hinterland stretching far into the North Pennines to the west. The corridor contains the main towns of Bishop Auckland, Newton Aycliffe, Spennymoor and Shildon and forms an important gateway to the County, located and linked along a strategic rail and road corridor and astride the A1(M). The area has strong labour market, housing market and transport connections with Darlington and the Tees Valley, affording opportunities for complementary economic growth, to widen labour market catchments and spread the benefits of growth in the Tees Valley to residents in the south of the County.

The area incorporates a network of strategic employment sites including Newton Aycliffe industrial estate which alone accommodates nearly 10,000 manufacturing jobs and is one of the most important concentrations of manufacturing employment in the North East. Bishop Auckland also has potential for growth as a retail, service and residential location.

Priorities for the period to 2013 include:

- further revitalisation of Bishop Auckland town centre, including mixed use development at North Bondgate and the Newgate Centre and the development of Auckland Palace Park as a major landscape restoration programme and visitor attraction, linking with other visitor attractions along the Corridor;
- the development of the Aycliffe Industrial Park to bring forward almost 20 hectares for new industrial/business development and further investment in the environment to sustain its role as a major employment centre for County Durham;
- further development at the Green Lane Industrial Estate in Spennymoor;
- further development of Locomotion, the National Rail Museum at Shildon, including the establishment of links to Darlington and Stockton as part of a Tees Valley City Region railway heritage project.

It will be vital to ensure that these opportunities deliver sustainable local benefits. Alongside these proposals, the area will be a priority for housing market renewal across a number of key settlements (including Ferryhill Station, Dean Bank, Chilton West, Coundon and Tow Law). Economic development activity in these locations will support efforts to create sustainable communities.

### **North/North West Durham**

North and North West Durham contain the main towns of Consett and Stanley and cover much of Derwentside and Chester-le-Street districts, serving a wide economic hinterland which stretches towards the North Pennines to the west. The area has strong economic and housing links to the Tyne and Wear City Region – and, like Sedgefield, has one of the County’s largest concentrations of manufacturing and engineering employment. Investment in a mix of existing and new strategic employment sites is vital to ensure the competitiveness of the existing company base and to continue to attract new businesses to the area.

Both Consett and Stanley have seen their role as shopping and service centres decline as a result of under-investment by both the public and private sectors. There are significant opportunities for housing market renewal in Stanley and some of its adjoining communities to help both stabilise and sustain the long-term role of the centre.



The area also includes Beamish – one of County Durham’s most important visitor attractions centred on its social and industrial heritage. There are proposals for further expansion of the facilities to strengthen its contribution to the growth of the County’s visitor economy.

Priorities for investment in North/North West Durham include:

- development of a new, landmark visitor centre at Beamish and a range of new attractions including the Colliery Lamp Cabin alongside further enhancement of the 1913 Town and other elements;
- development of a major new business centre at Tanfield Lea and further expansion of the industrial estate to create a new strategic site;
- further office development at Consett Business Centre;
- housing market renewal programmes at Craghead, New Kyo (which is also a priority for the Community Economic Development Initiative described elsewhere in section 6) Quaking Houses and South Moor.

While the proposed activity set out above will create new investment and employment opportunities, the area remains strongly affected by high levels of worklessness and low levels of skills. Proposals for economic regeneration and housing market renewal will complement other neighbourhood renewal efforts to ensure that local people benefit from new opportunities.

### Rural Durham

County Durham is essentially a rural County – only Chester-le-Street is a wholly non-rural district – although some of the former rural coalfield areas display characteristics which are more consistent with deprived urban neighbourhoods. In the south and west of the County, the rural areas are more sparsely populated and distant from the major centres, and large estates play a key role in the local economy.

County Durham’s urban and rural areas are highly interdependent. The rural County is experiencing an increase in population – with some evidence of migration from the urban areas – but also an ageing population. In some communities housing affordability, limited transport and a lack of employment opportunities is resulting in the loss of younger, economically active families and impacting on the sustainability of local services.

Many of the County’s rural areas offer an outstanding environment, including the North Pennines Area of Outstanding Natural Beauty and the Durham Heritage Coast. Quality of life is an under-utilised asset in attracting and retaining highly skilled people and entrepreneurs to the County. Improving the delivery of services in rural areas is a national priority being piloted in West Durham (through the Rural Pathfinder) and if successful will further increase the attractiveness of rural living.

The priorities for the rural area not already addressed elsewhere in section 6 are:

- the regeneration of Barnard Castle, which was recently the subject of a major visioning exercise. The town has potential to strengthen its role as a rural service centre serving a wide hinterland and to develop its role as a visitor destination, by building on its existing heritage assets and attracting further knowledge-based businesses and rural entrepreneurs;

- the regeneration of the former Lafarge Cement works at Eastgate, near Stanhope. Proposals are emerging for the development of a new village, powered by renewable energy and including a hotel/spa, visitor facilities and rural workspace and live work units. The Eastgate project has the potential to be a catalyst to regenerate the economy of rural Weardale;
- the extension of the former Market Towns Initiative programme in Stanhope and Middleton in Teesdale to further strengthen the economic regeneration potential of the towns, to further embed the benefits of MTI activity, and to ensure that Stanhop capitalises on benefits from the Eastgate project;
- the Community Economic Development Initiative which builds the capacity of smaller rural communities;. Annfield Plain, Shotton and Bowburn are priorities for the three year period from 2008.

## 7. Making it happen – delivering the strategy

### Introduction

In section 7, the final part of the CDES, we show how we will deliver the strategy. Section 7 sets out:

- how the County Durham Economic Partnership will demonstrate leadership by working together effectively – and lobbying regional agencies, Government and Europe to create the policy environment and secure the additional resources we require to realise our vision for the County;
- how we will build a much stronger and more powerful image for County Durham;
- the targets we are setting ourselves, and our partners, to measure progress – and what will happen if we don't achieve them.

### Leadership

This is County Durham's Economic Strategy – and every resident, business and voluntary or community sector organisation has a key role in making it happen - but the Economic Partnership must show real leadership if we are to deliver our vision of sustainable economic growth and opportunity for all. We will:

- ensure that regional, national and European policy takes account of the challenges facing the County;
- coordinate and maximise the effectiveness of mainstream funds addressing key areas of the economy – enterprise, sectoral and business support, workforce skills, and economic inclusion;
- address areas of market failure, where discretionary funds, other interventions and policies (such as planning policy) can work with the private sector in developing new opportunities;
- lead by example, recruiting and mentoring workless individuals, investing in workforce development, being innovative and adopting new technology; and
- develop and test innovative ideas that can make a difference to the economic regeneration of County Durham.

The private sector must also demonstrate leadership. It must embrace the need for systematic investment in upskilling the workforce, building on the recently launched *Skills Pledge*, and in creating and articulating a demand for higher level skills. It must also offer more opportunities – more jobs, Apprenticeships, work placements – to young people, and to those most excluded from the labour market. More County Durham entrepreneurs should act as role models and mentors for those considering self employment or starting their own business.

The voluntary and community sector has a role to play in raising the ambitions and aspirations of residents and businesses, and assisting people to recognise and realise the opportunities that are available to them.

## A supportive policy environment

It is clear that there needs to be a supportive policy and investment framework which allows the County to address structural weaknesses. We will seek to influence:

- European policy, particularly with regard to Structural Funds and policies directly relevant to the communities and businesses in the County, to build the case for long-term, additional financial support;
- National Government Departments, particularly those involved in industry, social and economic regeneration, and suitable communities; and
- Regional agencies, particularly the Government Office for the North East and One NorthEast - we will continue to influence and lobby both parties to ensure that the proposed Integrated Regional Strategy acknowledges the need for County Durham to benefit from sustained population and employment growth to address the underlying weaknesses in the economy and realise the latent opportunities.

<b>National, Regional and European Policy</b>
<b>Aim: to increase the level of discretionary public sector resources available to address the economic challenges facing County Durham</b>
<b>Priorities:</b>
Make the case for sustained European and UK Government funding
Monitor European, national and regional policy and undertake any research/case building work needed to position County Durham as a priority for additional resources
Participate in the regional and national regeneration funding and management arrangements for key funding streams, such as European support.
Participate in regional and sub-regional partnerships including the two City regions governance arrangements.

## A Powerful Brand Image

Building a positive and powerful brand image for County Durham is important on many levels, and it is fundamental to achieving many of the objectives set out in this strategy:

- a stronger and more positive brand will be vital to attract and retain young and skilled people within the County's workforce, particularly graduates;
- raising aspirations of young people and also those excluded from the labour market
- wider promotion of a positive and progressive image is also critical if County Durham is to maximise its business advantages such as location, the potential of key projects (such as NETPark) and attract valuable inward investment.
- image will also play a key role in the County's tourism industry, allowing greater market penetration and facilitating improved visitor volumes and spend; at present County Durham has a limited brand identity as a visitor destination and Durham City in particular can play a strong role in addressing this.

- Supporting exploitation of commercial opportunities arising from environmental change, especially relating to the work of Regional Centres of Excellence in this field.

Key target groups are young and skilled people, the business community and tourists. This may require the support of other stakeholders including One NorthEast, the local authorities, key private sector partners and the Area Tourism Partnership.

<b>Branding and Image</b>
<b>Aim: to change the internal and external perceptions of County Durham, to one where the County is viewed as a quality location to live, work, visit and invest.</b>
<b>Priorities</b>
Develop a single brand identity for County Durham and secure stakeholder support
Ensure major stakeholders and large companies endorse and use the brand image whenever appropriate
Use the brand to raise the awareness and aspirations of young people.
Use the brand on all outward facing marketing and proportion including inward investment and tourism.

### Headline targets

The CDES identifies eight core targets for County Durham – including productivity, enterprise, intermediate and higher level skills – which will provide a basis to monitor achievement of the long-term economic vision set out in the CDES. These are

- to raise County Durham's *Gross Value Added* from £5.5 billion in 2004 to £6.7 billion by 2012/13
- to achieve a net increase of at least 1,400 more *VAT registered businesses* between 2006 and 2013
- to narrow the gap in investment in research and development by the private sector and Government
- to create 9,000 more *employee jobs* between 2005 and 2012/13
- to reduce the number of residents on incapacity benefit by 4,000 to 32,230 by 2012/13
- to increase the proportion of working age adults in employment from 71.8% at the end of 2006 to 73% by 2012/13
- to increase the number of working adults qualified to at least *NVQ Level 3* to 51% by 2012/13
- to increase the number of working age adults qualified to at least *NVQ Level 4* to 25% by 2012/13
- to sustain average gross weekly earnings at 85% of the GB average by 2012/13.

These outcomes are realistic within the current regional policy framework and the level of resources available to the Partnership to stimulate and support economic growth. However, to truly narrow the gap, we County Durham would need to

- achieve growth in GVA in excess of 4% per annum – almost double current regional growth rates – to achieve our aspirational GVA target of £8 billion by 2012/13
- double current start up rates to increase the number of net additional VAT registered businesses from 200 to 400 per annum
- achieve massive increases in the proportion of our adult workforce educated to NVQ Level 3 (55%) and NVQ Level 4 (35%)
- to increase *average gross weekly earnings* for County Durham residents to 90% of the GB average from 85% in 2006

### Achieving the targets

These are very challenging targets – and were set deliberately so as a means of achieving a focus for, and driving the performance of the CDEP's delivery partners. We will need to achieve a number of the subsequent targets (particularly those relating to business starts ups, workforce skills and participation in the labour market) if we are to increase our contribution to GVA.

At present, without a major step change in the economic performance of the County, we are unlikely to achieve them given the economic circumstances, the likely trajectories, the policy framework and the current availability of discretionary funding from Europe and the Regional Development Agency. Both Cornwall and Merseyside demonstrate what can be achieved with a supportive policy framework and major investment of European funds.

In 2004, County Durham's GVA was less than 65% of the GB average, worse than that of the former Objective 1 areas – suggesting that it has a strong case for sustained investment on this scale. The Economic Partnership will continue to lobby both Europe and central Government to achieve this – and will strengthen our policy related research and foresight function to support this role.

In practice, what will happen if we fail to achieve our targets? Without transformational intervention, the County will have to run faster just to stand still – and it is likely that:

- there will be a further decline in employment in those manufacturing sub sectors most affected by global competition, costing the economy higher skilled and higher paid employment;
- existing businesses will fail to exploit opportunities for diversification and to access new markets, constraining their opportunities for growth;
- there will be limited growth in banking, finance and insurance employment, with growth focussed on the urban centres, partly a reflection of the availability of high quality office space;
- there will be limited growth in science, technology and other knowledge-based businesses;
- the rate of new business formation will not increase rapidly enough;
- although some growth may occur in retail and distribution, this will only create lower skilled, low paid employment.

The wider impacts on individuals and communities will be even more significant. Unemployment will continue to increase, and the number of economically inactive residents will not fall rapidly enough to make a significant impact on economic participation; in any event, we will have created insufficient new jobs to accommodate those County Durham residents who are furthest from the labour market. County Durham will continue to be a polarised society, with a widening gap between those in well paid work, and those excluded from the labour market. The costs to the Government – on welfare benefits, health and social care and housing – will be significant.

### **How we will deliver the strategy**

The means by which the Strategy will be implemented will be set out in an Action Plan. This will contain details of interventions for the next 3 years and in the longer term where necessary. The Action Plan will be produced following the consultation on the Economic Strategy itself. Both the Strategy and the Action Plan will be subject to assessments for their impact on the environment and equalities and in respect of rural proofing.