



County Durham
Economic Review
Final Report

March 2021

Contents

1 Introduction	4	7 Housing and Communities	31
Overview	4	Introduction.....	31
Context	4	Households.....	31
Report Structure	7	Deprivation.....	32
2 Overview of the Economy	8	County Durham Geography.....	34
Introduction.....	8	Tourism and Cultural Assets	35
Economic Performance	8	Summary	35
Productivity Performance	8	8 Connectivity and Infrastructure	37
Summary	10	Introduction.....	37
3 People and Demographics	11	Transport.....	37
Introduction.....	11	Digital Connectivity	37
Population.....	11	Labour Mobility	38
Employment Rate	12	Employment Assets	38
Unemployment Rate.....	12	Summary	39
The Claimant Count.....	12	9 The Impact of COVID-19 and Brexit	41
Inactivity.....	13	Introduction.....	41
Resident and Workforce Earnings	13	COVID-19	41
Summary	14	Brexit.....	43
4 Employment	15	Summary	45
Introduction.....	15	10 Future Economic Growth	46
Employment in County Durham.....	15	Introduction.....	46
Productivity by Sector	19	Economic Output.....	46
Key Employment Locations.....	20	Gross Value Added per Capita	46
Summary	20	Summary	46
5 Business and Innovation	22	11 Recommendations and Investment Priorities ... 47	
Introduction.....	22	Rebuilding a Powerful Economy.....	47
The Business Base	22	Developing the Pipeline for New Investment.....	47
Innovation	24	The Twin Challenge: Productivity and Jobs.....	48
Summary	26	Start Ups	51
6 Education, Training and Skills	27	Place, Investment and Employment	51
Introduction.....	27	Rural Communities and Economy	52
Skills and Training.....	27	Skills, Learning and Communities	52
Occupation	27	Schools.....	53
Education.....	29	Communities and Towns	54
Future Skills	29	Maximising Local Opportunities – The Role of Anchor Institutions.....	54
Summary	30	Delivering New Investment and Jobs	55
		Areas for Further Exploration.....	56
		Two Challenging Years.....	56

1 Introduction

Overview

- 1.1 Ekosgen were commissioned by Durham County Council to produce an Economic Review of County Durham.
- 1.2 The aim of the report is to provide a strategic overview of the economy and evidence base which will inform priorities for growth. To maximise the effectiveness of interventions to support the economy, it is vital that policy and investment decisions are based on a robust understanding of the economy's current strengths and weaknesses, and a shared appreciation of the best opportunities to support future economic growth.
- 1.3 The report seeks to provide a comprehensive overview of the current economic conditions, and to highlight the economic and social factors which will affect the future growth of the County Durham economy.

Context

- 1.4 There are a number of factors to consider which will impact upon future economic development. This includes both short and medium term shocks to the economy including the COVID-19 pandemic and the UK's departure from the European Union (EU) as well as the rural nature of the county.
- 1.5 In addition there are important long term major technological and social trends which include:
 - Demographic change and an ageing population;
 - Digitisation, automation and Artificial Intelligence (AI); and
 - The move towards a low carbon economy.
- 1.6 Each of these will impact on the County Durham economy and need to be considered in regards to future priorities and interventions.

COVID-19

- 1.7 The COVID-19 pandemic is having a profound effect on the economy. Sectors which have been worst hit include the tourism, hospitality and culture sectors, as a result of national lockdowns, social distancing measures and travel restrictions. While various protection measures and home working have reduced the immediate impact for many sectors, as government support such as Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) come to an end increasing unemployment is likely to be experienced.
- 1.8 The impacts COVID-19 is having upon the economy is explored in further detail in [chapter 9](#).

Brexit

- 1.9 The UK left the EU on the 31st December 2020. While to date the main impacts experienced have included customs and border disruption, significant longer term effects are likely to emerge, including on imports and exports as the UK diverges from the EU on product standards or other regulations and on skills and recruitment for health and service sectors which rely on EU labour.
- 1.10 [Chapter 9](#) reviews the expected impacts of the departure from the EU in more detail.

Digitalisation, Automation and AI

- 1.11 Digitalisation, Automation and Artificial Intelligence (AI) is likely to cause an increasing number of operative and lower-skilled jobs to become redundant particularly in transportation, hotels and restaurants, manufacturing, trade and construction. Analysis of the jobs of 20 million people in England found that 7.4% are at high risk of automation, although new jobs to support and operate the technology will reduce some job losses. Digital technology is anticipated to alter conventional employment structures reducing the demand for large office space, while technological advancements such as 3D printing will be disruptive to manufacturing and distribution allowing more to be produced in decentralised smaller facilities (ONS 2019) Which occupations are at highest risk of being automated? ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationsareathighestriskofbeingautomated/2019-03-25.

Rural

- 1.12 Given that County Durham is primarily a rural county, future growth prospects must also seek to achieve growth in the rural areas. A lack of a fast and reliable broadband connection acts as a constraint to growth in rural areas. The roll out of superfast broadband provides an opportunity to open up new sectors in these areas while helping existing sectors including tourism, agriculture and forestry to improve.
- 1.13 As recognised in the Local Plan the countryside is a constantly changing workplace and there is a need to balance the protection of the countryside with the need to support the vitality and viability of the rural economy including through agriculture and tourism.

Ageing Population

- 1.14 Across many developed countries, an important demographic shift is taking place, as a result of people living longer and having fewer children, resulting in the increase in the average age of populations. An ageing population has implications for the labour market, and will require a shift in public expenditure to meet the rising costs of health and social care. Without improvements to population health, the ageing population will also result in a larger number of people living with disability and suffering ill-health.
- 1.15 By 2040 almost 24% of the population will be aged 65 and over, and the old age dependency ratio, defined as the number of residents at the State Pension age and over for every 1,000 working age residents, is expected to reach 352.
- 1.16 The ageing population coupled with the declining working age population, will increase the need to support people to stay in the labour force for longer and will require employers to focus on retraining and adapting the workplace to ensure continued employment, removing barriers to remaining in work, and enabling workers to adapt to new technologies. Increased technological investment and greater automation is likely to occur reducing the dependence on labour as a result of the demographic shift.

The Low Carbon Agenda

- 1.17 The global shift to ‘clean growth’ through low carbon technologies and the efficient use of resources is creating new industries and transforming existing ones. The shift to clean growth provides incentives to use technology to reduce input costs and to develop alternative ‘environmentally friendly’ products. The Government’s Clean Growth Strategy (2017) highlights opportunities in renewable energy generation, construction and manufacturing.
- 1.18 The shift to a low carbon economy is also boosting the circular economy, where high energy using industries ensure that more by-products of their activities are used productively, with a greater emphasis on recycling. However, whilst decarbonisation provides many opportunities, it also has a downside for some businesses, with those that are heavily energy-intensive likely to come under pressure to reduce dependence on oil and gas.

Policy Context

The UK Industrial Strategy

- 1.19 The UK Industrial Strategy ‘Building a Britain Fit for the future’ identifies ‘Five Foundations’ which the Government argues are the “essential attributes of every successful economy”. These are:
 1. Ideas – Research and Development (R and D) and innovation
 2. People – skills, retraining and the labour market
 3. Infrastructure – transport, digital and housing
 4. Business Environment – increasing small and medium sized enterprises (SME) productivity and encouraging start-ups
 5. Places – tackling regional disparities in productivity and economic performance
- 1.20 The strategy also introduces a number of ‘Grand Challenges’ which overarch the Foundations and represent areas in which the UK has the opportunity to play a leading global role. Reflecting the long-term economic drivers identified above, these include:
 1. AI and Data Economy
 2. Clean Growth
 3. Ageing Society
 4. Future of Mobility

- 1.21 Funding for economic development is increasingly being focused on Industrial Strategy priorities, with each Local Enterprise Partnership (LEP) area being tasked to develop a LIS which responds to the national priorities and reflects local economic strengths.
- 1.22 The Government has recognised that if living standards are to rise, the challenge is to increase productivity whilst keeping employment levels high across the UK. In addition to the national framework provided by the Industrial Strategy, a number of regional responses have been developed to attempt to tackle economic disparities in the UK economy.
- 1.23 The North East Local Enterprise Partnership (NELEP) was due to have their LIS published in 2020, however the publication has been delayed likely due to the COVID-19 pandemic.

North East LEP Strategic Economic Plan

- 1.24 The Strategic Economic Plan (SEP) was originally published in 2014 and sets out the ambition to increase the number of jobs in the North East economy by 100,000 by 2024. The plan is split into three distinctive parts:
 1. Four areas of strategic importance – digital, advanced manufacturing, health and life sciences, and energy are areas where the North East can build a stronger economy that continues to contribute to regional, national and global economic growth.
 2. Four service sectors – education, financial, professional and business services, transport and logistics and construction – these sectors support the wider economy and offer significant opportunity for more and better jobs in the North East.
 3. Five programmes of delivery – business growth, innovation, skills, employment, inclusion and progression, transport connectivity and investment and infrastructure.
- 1.25 The SEP recognises the importance of the digital, advanced manufacturing, health and energy sectors within County Durham’s economy and provides future spaces for investment and expansion. The SEP is due to run until 2024, whereby the Local Industrial Strategy (LIS) that is aligned to the principles of the SEP will continue until 2030.

The Northern Powerhouse

- 1.26 The idea of building a ‘Northern Powerhouse’ was first proposed by the coalition government in 2014. The aim is to boost economic growth in the North of England particularly in the major cities of Manchester, Liverpool, Leeds, Sheffield, Hull and Newcastle. The Government is investing in skills, innovation, transport and culture, as well as devolving significant powers and budgets to directly elected mayors to ensure decisions affecting the North are made in the North.

County Durham Local Plan

- 1.27 The County Durham Plan was adopted in 2020 and sets out a range of development proposals and planning policies for the county until 2035. The plan presents a vision for potential housing, jobs, transport, schools, healthcare and the environment until 2035.
- 1.28 The plan aims to:
 - Continue economic growth and investment in the county
 - Secure more and better jobs in the county
 - Address the causes of climate change and adapt to its effects
 - Secure the infrastructure to support new development and the relieve congestion and improve air quality
 - Protect the historic and natural environment.
- 1.29 To support the continued economic growth of the county and the aim of more and better jobs for residents, the plan includes over 302 hectares of new land to be developed for business and industry. This is in addition to protecting over 1,500 hectares of existing business and industrial land to prevent any other land uses. The plan also includes policies to support town centres and allow the council to take a more flexible approach to support businesses in rural areas encouraging the local economy whilst protecting the environment.

Shared Prosperity and Place

- 1.30 The Government is committed to introducing a Shared Prosperity Fund as a replacement for losing European Regional Development Fund (ERDF) and European Social Fund (ESF) resources as a consequence of leaving

the EU. County Durham regularly used both of these funds to invest in a range of prospects. It will be important that the council has sufficient pipeline proposals to take advantage of the new fund.

- 1.31 The recent Green Book review included consideration of place in the appraisal of projects. These new considerations are likely to apply to the levelling up agenda and these now need to be factored into the developments of new propositions.

Levelling Up Agenda

- 1.32 Guidance is now being developed for the new Levelling Up Fund (LUF) and the county will need to have sufficient resources and a credible pipeline to take early advantage of new arrangements, which are likely to focus on early delivery.

Report structure

- 1.33 The report is structured as follows:

- [Chapter 2](#) gives a high level overview of the County Durham economy focusing on its productivity performance;
- [Chapter 3](#) looks at the key characteristics of the local population and economic activity;
- [Chapter 4](#) considers employment and sectoral strengths;
- [Chapter 5](#) reviews the area's business and innovation base and environment
- [Chapter 6](#) covers education, skills and training including the occupation profile and future skills needs;
- [Chapter 7](#) reviews housing and communities including housing affordability, workforce catchments, deprivation and tourism;
- [Chapter 8](#) outlines the current infrastructure position;
- [Chapter 9](#) assesses the emerging impacts of COVID-19 and Brexit on the economy;
- [Chapter 10](#) provides forecast economic and productivity forecasts;
- [Chapter 11](#) provides the key strategic investment and policy priorities for County Durham.

2 Overview of the Economy

Introduction

- 2.1 County Durham is the largest local authority in the North East and the 8th largest in the country. It is bounded by: Northumberland, Gateshead and Sunderland to the north; Hartlepool, Darlington, Stockton-on-Tees and Richmondshire to the south; and Eden to the west. It is located within the NELEP area.
- 2.2 With a population of 530,100 and an employment base of 183,000, County Durham is a key contributor to the North East economy, accounting for 20% of the region's population and 17% of total employment. Its population is primarily concentrated within the areas of Durham City, Chester-le-Street, Newton Aycliffe, Bishop Auckland, Consett and Peterlee, while two in five residents live in rural areas with a range of smaller towns and villages within the rural hinterland.
- 2.3 County Durham has successfully rebuilt its economy after the reduction in its historical strengths of coal mining and steel making. The industrial economy remains a strength of the county and provides a significant source of employment alongside the public sector.
- 2.4 While the scale of unemployment has fallen and is significantly below peak numbers seen in earlier decades and the employment rate has been increasing, many communities continue to be affected by low household incomes and health inequalities.
- 2.5 County Durham is home to 14,105 businesses, including major employers GSK, Hitachi Rail, Amazon, Caterpillar UK Limited, Gestamp Tallent Limited and ZF, although business density is below the regional and national level. The key employment locations are within Durham City, the A1 Corridor and the A19 Corridor.

Economic Performance

- 2.6 In 2018, County Durham contributed Gross Value Added (GVA) of £8.8 billion to the UK economy, accounting for 16% of the North East total (compared to 17% of the employment base and 20% of the regional population). Between 2008 and 2011 GVA growth flat lined, marking the aftermath of the financial crisis, however since then GVA has grown strongly.
- 2.7 County Durham's annual GVA contribution has grown by £2.6 billion, 43%, over fifteen years, marginally above the North East rate of growth (42%) but significantly below the national level (64%). The national growth rate has been supported by a number of sectors where the North East as a whole is less well represented: for example professional, scientific and technical, finance and insurance, and information and communication activities.
- 2.8 The number of jobs has also increased over the past 10 years, with County Durham now recording an additional 10,500 jobs.

Productivity Performance

- 2.9 GVA and employment growth are good indicators of economic performance, while productivity – the amount of output produced from a given level of inputs – is an important determinant of prosperity. Productivity is the key determinant of both wages and profit, with the latter essential to allowing companies to maintain employment and finance re-investment. Productivity is of national interest given that productivity in the UK has fallen behind international comparators over the past decade.
- 2.10 Looking at the main measures of productivity used at local level in the UK, County Durham performs poorly on all measures:
 - GVA per hour worked is 84% of the England average
 - GVA per job is 81% of the England average
 - GVA per FTE is 82% of the England average
- 2.11 Prior to the recession and up until 2010, the gap in levels of GVA per hour between County Durham and England was narrowing. However, since then the gap has widened.
- 2.12 GVA per head (per capita), which measures the overall prosperity in society (and takes into account children and older people not in the workforce) is used as a measure of regional disparity. It is affected by a number of

factors: the proportion of the local population in work, how many hours they work and what sectors they work in, levels of productivity (per hour or per job) within those sectors, as well as the numbers and proportions of dependent children and older people. County Durham's GVA per capita figure is 57% of the England average, at £16,763 compared to £29,356 nationally, indicating a much bigger gap in prosperity levels than there is in levels of productivity (with GVA per job and GVA per hour worked 81% and 84% of the England average respectively).

- 2.13 The major influence on the GVA per capita figure is high levels of older people and working age economic inactivity. The changing demographics, with regard to older people making up a much larger proportion of the resident population in future years, will increase the challenge of increasing the prosperity of County Durham communities.
- 2.14 GVA per capita has grown by 34% over the past 15 years, below the national growth rate (47%), increasing the performance gap. If GVA per capita had grown at the national rate, it would now be £18,328.
- 2.15 Geographical disparities in productivity are a result of a number of factors including:
- Workforce skills and health
 - Capital investment and technology
 - Productive assets and infrastructure
 - Local geography, access to markets and institutions
- 2.16 Productivity disparities can arise because of geography, local culture, governance and infrastructure, which impact upon the economic activities and sectoral make-up of a place, shaping its workforce, while agglomeration and clusters of economic activity can have productivity benefits, leading to disparities with co-location of businesses driving knowledge sharing integrated supply chains. In addition, the impact of high skilled workers choosing to live in places with populations reflecting themselves can result in 'brain drains' in some locations while in others serving to increase productivity and attract investment (Industrial Strategy Council, UK Regional Productivity Differences: An Evidence Review, 2020.)
- 2.17 The average productivity statistics are skewed by a small number of highly productive places, particularly Inner London. It is worth noting that the most productive NUTS2 region (West Inner London) has an income per hour which is 70% higher than the median area's GVA per hour.
- 2.18 Economic and political uncertainty, regarding Brexit (and more recently COVID-19) may have dissuaded firms wishing to invest in profitable projects from doing so, impeding growth in the amount of capital per worker.
- 2.19 As noted by the Bank of England, slower manufacturing productivity growth can in part explain the UK's productivity gap with other comparable countries. Another potential reason is *capital shallowing* – where in manufacturing in particular, capital investment has not kept pace with increases in labour input. Given County Durham's large manufacturing base, this may help to explain the disparity between the national average.
- 2.20 Some of the factors explaining the different levels of performance include:
- **Potential labour supply:** County Durham's population has a marginally lower proportion of working age residents than England as a whole. In 2018m 62.2% of the population was of working age (16-64), compared to 62.6% in England as a whole, accounting for £65 million of the gap in GVA levels. Recent data suggests the working age population is expected to decline at a faster rate than the national population.
 - **Real employment rate:** Amongst the working age population, the employment rate is lower than the national average with 73.8% of the working age population in employment, compared to 74.7% nationally, accounting for £105 million of the gap in GVA levels.
 - **Productivity - sectoral mix:** Despite County Durham having a much lower share of workers in typically high productivity sectors than nationally – such as information and communication, finance and insurance, and professional, scientific and technical services sectors – the manufacturing sector which accounts for 14% of County Durham's workforce compared to 8% nationally and has a high GVA per employee of around £89,000, means that its sectoral mix is more productive given its GVA per employee by sector than if it had the same sectoral mix as the national population. This therefore narrows the GVA gap.
 - **Productivity – sectoral performance:** Across all sectors, levels of output per job in County Durham are 81% of the England average. This accounts for the majority of the gap in GVA levels, £2.0 billion.
- 2.21 GVA per head is also impacted by the net outflow of residents commuting to other areas to work, where their GVA contribution is recorded in other local economies. While productivity is not the only indicator of

economic performance, high-productivity regions also tend to perform well along many other economic and social indicators (UK Regional Productivity Differences: An Evidence Review, 2020).

Summary

- 2.22 While increasing productivity is a national and County Durham priority, one consequence is that encouraging companies to introduce technologies such as robotics, will in the short term reduce the need for labour. These types of new technology investment are, however, essential if companies are to remain competitive.
- 2.23 County Durham benefits from some very productive sub-sectors and companies in its industrial economy. These sectors will face the challenge of having to recruit skilled and experienced personnel to take account of an ageing workforce. Recruiting a skilled workforce will be essential to maintaining and improving productivity in these high value added sectors, and may be more challenging given the UK's exit from the EU.
- 2.24 It does, however, have a much lower representation in the high value service sub-sectors such as digital and ICT. The county will need to strengthen a number of high growth service sub-sectors to create more jobs and increase productivity and increase the private sector's contribution to the economy.
- 2.25 An underlying priority, in terms of addressing economic challenges, is for County Durham to increase its working age population through jobs growth in its priority sectors, supported by increased housing provision to accommodate an incoming skilled workforce.
- 2.26 County Durham also needs to provide the locations which will attract companies, making full use of new technology, operating in national markets in addition to supporting its current business base to adopt new technology and invest in innovation and introducing new products to strengthen their competitiveness and reach new markets. More broadly, the county needs to invest in the economic infrastructure, notably transport, with a proven link to increased productivity.

3 People and Demographics

Introduction

3.1 This section of the report provides an overview of County Durham’s resident population. The availability of labour plays an important role in the function and performance of local economies. Understanding the scale and composition of County Durham’s population, as well as the economic contribution that residents make, provides the basis for understanding both the challenges and opportunities to be considered in planning future interventions.

Population

- 3.2 As of 2019, the population of County Durham stood at 530,094, 19.9% of the North East region’s population. The population has grown steadily since 2000, experiencing an uplift of 34,956 residents (7.1%), ahead of the North East’s rate of growth (5.0%) but behind the national rate (14.3%). Had County Durham’s population grown in line with the national average, it would now be home to 566,076 people – an additional 35,982 residents.
- 3.3 Within the North East, County Durham has experienced the second highest local authority population growth rate since 2000, behind Newcastle upon Tyne where the rate was 10.8%; an uplift of 29,400 people.
- 3.4 Over the next 20 years (2019 to 2039), the population of County Durham is expected to grow by 5.4% (+28,484 people) to exceed 558,000 people. This is a much higher growth rate than forecast across the North East at 3.3% but remains below the national rate of 8.4% and will be a reduction on the last 20 years growth, reflecting the trend across all three geographies.

Population Projections, Total Population (in thousands), 2018

	2019	2024	2029	2034	2039	2019 to 2039 Change	
						No.	%
County Durham	529.7	539.7	548.0	553.9	558.2	28,484	5.4
North East	2,667.1	2,698.7	2,723.7	2,741.9	2,755.8	88,682	3.3
England	56,343.1	57,816.9	58,969.5	59,989.0	60,961.8	4,681,733	8.4

Source: Sub-National Population Projections, 2018 based

Age Profile

3.5 Between 2009 and 2019, the working age population as a proportion of the total population shrank by 0.5 percentage points, whilst the proportion of those aged 65+ increased by 4.2 percentage points. This reflects the ageing population being recorded nationally and has implications for levels of economic dependency, although many residents may choose to continue to work into later life, in part due to changes in pension entitlement but also reflecting extended healthy life expectancy.

This trend is expected to continue over the next 20 years, with the dependency ratio growing as the workforce declines relative to those of retirement age. By 2039, it is estimated that 26.4% of the population will be over 65 compared to 17.6% in 2009. The proportion of the population aged under 25 is also forecast to decline (from 29.4% of residents in 2009 to 27.2% in 2039), with implications for future workforce supply.

3.6 ONS population estimates suggest there will be an additional 36,850 people aged 65 and over (+33.3%) resident in County Durham by 2039, while there will be 9,400 fewer people across the key working age groups of 25-34, 35-49 and 50-64 (-3.5%), revealing the extent of the shift in demographic.

An Ageing Population

3.7 By 2039 the old age dependency ratio, defined as the number of residents at the State Pension age and over for every 1,000 working age residents, is expected to reach 400 in County Durham above the North East (387) and national (349) ratios.

- 3.8 An ageing population is highlighted as one of the Grand Challenges in the UK's Industrial Strategy, noting that the demographic shift will *“create new demands for technologies, products and services, including new care technologies, new housing models and innovative savings products for retirement”*.
- 3.9 This illustrates the growing challenge of an ageing population, with implications for the labour market and health and care. Despite the raising of the state pension entitlement age and more people continuing to work beyond 65 than has been the case to date, there are still expected to be fewer workers over time supporting an increasing number of retired people, resulting in a higher dependency ratio.
- 3.10 There is a challenge to ensure older residents who wish to work longer are supported to do so and are equipped with the necessary skills and flexible employment opportunities to allow them to continue to work into later life.
- 3.11 As the population ages there is likely to be significant skill losses as a large number of the workforce moves into retirement, especially in manufacturing jobs.
- 3.12 Alongside economic considerations, the data highlights the need to ensure appropriate health and social care provision and a sufficient range of housing is available to cater for the changing demographic, e.g. for those downsizing and those with mobility restraints. It is important that local and national government strategy responds to this challenge. Current housing supply and trends are considered in [chapter 7](#).

Employment Rate

- 3.13 Over the past ten years, County Durham's employment rate has broadly tracked the North East average and remained consistently below the national rate. Since the year ending September 2017, the employment rate in County Durham has remained above the regional rate peaking at 74.5% in 2017/18. Since 2009/2010, the number of people in employment within County Durham has increased by 13,200.
- 3.14 According to the Annual Population Survey (APS), the employment rate for the year ending September 2020, has dropped from its peak to 71.9%. This is similar to the regional rate. In comparison to the other local authorities in the North East, County Durham has a lower employment rate than North Tyneside, Darlington, Gateshead, Stockton-on-Tees and Northumberland.

Unemployment Rate

- 3.15 Unemployment in County Durham has fallen over the past ten years. Having reached a peak of 11.1% of the working age population in the year ending September 2012, it fell to a low of 3.8% in 2017/18, although unemployment has begun to rise in the past two years.
- Unemployment has been consistently above the national figure in all but one year - 2017/18. When compared to the regional rate, County Durham has followed a broadly similar trajectory over the past ten years.
- 3.16 The 16-24 age bracket typically experiences the highest rate of unemployment, although this may reflect older groups moving into the economically inactive groups affected by health issues. Unemployment amongst those aged 16-24 has fluctuated dramatically over the past ten years, from a peak of almost 35% in 2011/12 to a low of 8.7% in 2017/18, while unemployment of those aged 25 and over remained more stable. This is consistent with the regional and national trends. However, the level of unemployment amongst young people in County Durham in the year ending September 2020, at 22.2%, is significantly above the national rate for this age group (12.9%), with the data showing that the unemployment rate amongst this group was growing even before the impacts of the COVID-19 pandemic were felt. COVID-19 has disproportionately affected employment amongst young people, who typically have a high representation in sectors such as hospitality and leisure.

The Claimant Count

- 3.17 The Claimant Count captures people claiming Job Seekers Allowance (JSA) and those who are claiming the unemployment related elements of Universal Credit (UC), providing a more comprehensive view of unemployment levels.
- 3.18 As of December 2020, the claimant unemployment count in County Durham was, 20,790, approximately 6.1% of the working age population, an uplift of 8,045 from the same period in the previous year. Whilst the number of claimants has been increasing since 2015, the notable spike in 2020 is likely a result of the COVID-19 pandemic. Supporting people to return to work as the economy recovers will be a priority.
- 3.19 County Durham has consistently had a lower share of claimants in working age population than across the

region, but a higher share than nationally apart from most recent data from December 2020, which highlights the impact of COVID-19 where the national proportion (6.4%) is above the County Durham level (6.1%).

Inactivity

- 3.20 Economic inactivity in County Durham amongst the working age population (i.e. those not in the labour force) is estimated at 23.8% for 2019/2020. The inactivity rate has been on a downward trajectory since 2009/2010, consistent with the regional and national trend, with the exception of a spike in 2014/15 in County Durham. The rate of inactivity follows a similar trend to the North East, but has remained consistently higher than the national rate over the last ten years.
- 3.21 Over 22,000 residents in County Durham are economically inactive due to long-term health conditions, accounting for 29.5% of those classed as economically inactive, exceeding the regional (28.8%) and national (23.0%) proportions. This highlights the need to tackle health inequalities, which act as a constraint to growth and influence deprivation among communities.
- 3.22 The second most common reason for inactivity is looking after family members or the home (24.8%), with 18,600 residents, above the regional (21.4%) and national (21.5%) proportion. There is a lower proportion of students amongst the economically inactive, with 16,300 residents accounting for 21.8% of those classed as inactive, despite the existence of a university within the county.
- 3.23 In County Durham over a quarter (26.0%) of the inactive population would like a job, this is higher than the regional (24.9%) and national (21.9%) proportion, suggesting in County Durham this group may face more barriers to entering employment, or lack of training and employment opportunities than elsewhere.

Resident and workforce earnings

- 3.24 The median earnings for residents of County Durham in 2020 were £28,002 for full-time workers in line with the median earnings for the North East but more than £3,700 below the national average.
- 3.25 In contrast, the median earnings for workers within County Durham during 2020 were £26,495 for full time workers, below both the regional and national median earnings. This suggests residents commuting out of the county are higher paid on average than those commuting in, in part reflecting the sectoral and occupational profile of employment.
- 3.26 Over the past ten years the earnings gap for both residents and workers has declined slightly in County Durham, although it remains below the national average.
- 3.27 Looking at low earners, the 10th and 25th percentile of both resident and workplace earnings are below the regional and national averages. When compared to the national average, the earnings of the 25th percentile in County Durham equate to less than 90% of the England level on both resident and workplace measures.

		County Durham	North East	England
Resident Earnings – 2020	Median	28,002	27,971	31,766
	10th percentile	16,984	17,289	18,065
	25th percentile	20,177	20,991	22,932
Workplace Earnings – 2020	Median	26,495	27,865	31,777
	10th percentile	16,405	17,160	18,070
	25th percentile	19,685	20,819	22,938

Source: Annual Survey of Hours and Earnings (ASHE), 2020

Summary

- 3.28 While the County Durham population will increase over the next 20 years, the challenge of an ageing population, with implications for the labour market and health and care, and a reduced number of working age residents will have implications for both economic growth and the sustainability of local centres.
- 3.29 There is a challenge to ensure older residents who wish to work longer are supported to do so and are equipped with the necessary skills and flexible employment opportunities to allow them to continue to work into later life.
- 3.30 The data highlights the need to ensure a sufficient range of housing is available to cater for the changing demographic, e.g. for those downsizing and those with mobility restraints, but also to increase the supply of family housing to attract a larger working age population from other areas. County Durham needs to increase family housing in popular locations to help attract the 30 to 50 age group, as part of a strategy to increase its working age population and reduce in-commuting for higher skilled jobs in County Durham companies and institutions.
- 3.31 County Durham has a good employment rate although this is likely to decline in the short term as the full impact of the pandemic emerges, with a corresponding increase in unemployment, particularly amongst young people. There is a pressing need to increase job support actions and encourage private sector investment to offset ground lost during 2020/21.
- 3.32 While there is a focus on higher skilled and higher paid jobs, many of the replacement jobs needed to offset pandemic redundancies are at the intermediate skills level, with potential replacement jobs in sectors such as distribution, logistics and the health sector.
- 3.33 It is likely that unemployment will remain high and increase most amongst younger people, particularly those in the tourism, leisure and hospitality sector, and there may be scope for providing training which opens up other opportunities to them, such as through enhanced digital skills.
- 3.34 Many younger people would be encouraged to delay entering the labour market in 2021 and would be better serviced in gaining work related qualifications and looking for new jobs in 2022 when the economic recovery will be gaining momentum.
- 3.35 There are likely to be reduced opportunities for longer term unemployed and people seeking to return to work after an absence over the next two years. New supported employment initiatives and increased social value activities may be needed to provide additional support.
- 3.36 While the proportion of the working age population has been falling for some time, the County Durham inactivity rate is significantly above the national rate and large numbers of residents are unable to work due to care responsibilities and health related issues. Supporting local people to address these issues could help over the medium term to increase the size of the workforce and increase household incomes.
- 3.37 In particular a high proportion of the economically inactive population have long-term health conditions, highlighting the need to tackle health inequalities, which act as a constraint to growth and influence deprivation among communities
- 3.38 New health innovations are helping many people to better manage health conditions and these will help some people to return to work. The NHS is investing in digital health applications to assist people and County Durham needs to ensure such new approaches to better healthcare can benefit local residents.

4 Employment

Introduction

4.1 This section of the report provides an overview of employment patterns in County Durham, including employment trends, sectoral strengths and key employment locations. Underpinned by historical strengths and reflecting evolution of the local, national and global economy, a thorough understanding of the employment base can set the wider economic review findings in context.

Employment in County Durham

4.2 In 2019, 183,000 people worked in County Durham, accounting for 16.6% of total employment in the North East, a proportion below the county's share of population. Between 2009 and 2019, employment has increased by 10,500 (6.1%), above the regional rate (4.9%) but lower than the national rate of employment growth (12.8%). If County Durham's employment level had grown in line with the national trend, there would be 11,600 additional jobs in the county in 2019.

4.3 Approximately two thirds (66.3%) of employees in County Durham in 2019 worked full-time, and a third (33.7%) part time. This employment split is similar to the regional (66.1% full time) and national averages (68.1%). Total employment exceeded the number of employees in County Durham by 8,000 in 2019, taking account of self-employed workers (who are registered for VAT or PAYE).

Workplace Employment, 2019		
	No.	%
Full-time employees	116,000	66.3%
Part-time employees	59,000	33.7%
Total Employees	175,000	-
Total Employment	183,000	-

Source: Business Register and Employment Survey (BRES), 2019

Sectoral Profile of Employment: A Traditional Employment Base

4.4 Manufacturing and health are County Durham's most prominent employment sectors, accounting for 13.7% of employment (50,000 people) each, 4.5% of 1.1m jobs in the North East. Retail and education also account for a large proportion of employment.

4.5 At broad sector level there are some differences in the sector structure of County Durham's economy compared to the national average:

- Sectors which are over-represented include: manufacturing accounts for 13.7% of jobs in County Durham compared to 8% nationally; education is also over represented within the local economy at 10.5% compared with the national rate of 8.4%, this is in part likely to be due to the strong presence of Durham University.
- Sectors which are under-represented include: professional, scientific and technical professions that account of 4.4% of jobs in County Durham compared to 9.8% nationally.

4.6 The sectoral profile of employment therefore shows a bias towards employment in sectors that are undergoing a period of change (in the form of manufacturing and retail) and public sector focused elements of the economy.

Sectoral Employment Change

4.7 Whilst employment has grown overall in County Durham between 2009 and 2019 there have been significant differences in performance by sector.

4.8 Considering areas of higher than average growth:

- The arts, entertainment and recreation industry grew by 50%, generating an additional 1,500 jobs, at a time when the sector grew by 23% across the North East and 15% in England. The sector now accounts for a similar share of total employment (4.4%) in County Durham as regionally (4.4%) and nationally (4.8%).
- Education employment grew by 2,500 (+14%) compared to the sector's stagnation across the North East and nationally.

4.9 Although the growth rate was below the national average, the addition of 1,500 professional, scientific and technical jobs (+23%) represents significant growth in what remains an under-represented sector in County Durham. Overall, gains support the growing dominance of a service-based economy.

Significant Employment Growth by Industry between 2009 and 2019

	County Durham		North East	England
	Total change	% change	% change	% change
Administrative and support service	2,500	38	39	31
Education	2,500	14	2	5
Human health and social work	2,000	9	16	15
Professional, scientific and technical activities	1,500	23	5	36
Arts, entertainment, and recreation	1,500	50	23	15
Wholesale and retail trade	1,000	4	3	3
Information and communication	500	40	22	25

Source: BRES, 2019

4.10 Conversely, some sectors within County Durham have experienced some moderate declines in recent years. As examples:

- There was a loss of 625 (-26%) jobs in the financial and insurance activities sector – a greater loss than recorded across the North East (-9%) whilst this sector grew by 1% nationally.
- Whilst there was a loss of 1,000 jobs (-6%) in public administration and defence, this sector fared much better than regionally (-24%) and nationally (-14%), with the sector remaining a key employer in County Durham.

Significant Employment Decline by Industry between 2009 and 2019

	County Durham		North East	England
	Total change	% change	% change	% change
Public administration and defence	-1,000	-6	-24	-14
Financial and insurance activities	-625	-26	-9	1
Manufacturing	-500	-2	-6	1
Construction	-500	-5	-19	8

Source: BRES, 2019

Sub-Sectoral Strengths and Specialisms

- 4.11 Sub-sector data provides a more detailed understanding of the structure of the County Durham economy, including areas of specialism within the employment base. The analysis considers two factors – total employment, and the concentration of employment as measured by the Location Quotient (LQ). The LQ is a measure of specialisation compared to the national average. A LQ of 1 indicates that the share of total employment in a sector locally is the same as its share nationally. A LQ above 1 indicates that the area has a higher proportion of employment in that sector than the national average. A LQ less than 1 indicates that the area is under-represented in employment terms.
- 4.12 In actual terms, the service economy dominates County Durham’s top employment sub-sectors. The largest sub-sectors of employment are education and retail trade, collectively accounting for 22% of total employment and with employment levels growing over the last ten years. Public sector administration and defence is also an important sub-sector of the economy. In all three cases, the LQ exceeds 1. This highlights the prevalence of the public sector within the County Durham economy.
- 4.13 Although actual employment levels are lower, the LQ analysis shows that County Durham has notably higher than average concentrations of employment in residential care activities (a sector that is expected to grow to support an ageing population), land transport and transport via pipelines and social work activities within accommodation.

Employment by Sub-sector, 2019

	Jobs	LQ	2009 to 2019 Growth
Education	20,000	1.30	2,500
Retail trade	19,500	1.16	2,000
Public administration and defence; compulsory social security	15,000	2.09	-1,000
Food and beverage service activities	11,500	1.05	1,500
Human health activities	11,000	0.82	500
Social work activities without accommodation	7,000	1.36	500
Residential care activities	6,500	1.57	1,000
Specialised construction activities	6,000	1.20	-500
Wholesale trade	5,000	0.69	-500
Land transport and transport via pipelines	5,000	1.37	-500

Source: BRES, 2019

- 4.14 The industrial economy remains important to County Durham – the primary (extraction of raw material) and secondary (manufacturing) sectors account for nine of the top ten sub-sectors by LQ. Although mining employment figures are now low, the sector remains an over-represented area of the local economy. The manufacture of pharmaceutical products is 8.11 times more concentrated than the national average (driven in part by the presence of GSK – a major pharmaceutical company) whilst water collection and treatment is 4.24 times more concentrated than the national average (with the Northumbrian Water HQ in the county).

Employment by Sub-sector, 2019

	Jobs	LQ	2009 to 2019 Growth
Mining of coal and lignite	150	63.59	145
Manufacture of basic pharmaceutical products and pharmaceutical preparations	1,750	8.11	250
Water collection, treatment and supply	1,000	4.24	0
Manufacture of machinery and equipment n.e.c	4,000	3.76	750
Manufacture of fabricated metal products	4,750	2.80	2,250
Manufacture of wood and of products of wood/cork	1,125	2.53	-125
Electricity, gas, steam and air conditioning supply	1,750	2.37	- 250
Public administration and defence	15,000	2.09	-1,000
Manufacture of motor vehicles, trailers and semi-trailers	2,000	2.05	- 125
Manufacture of electrical equipment	850	2.05	-100

Source: BRES, 2019

Manufacturing

- 4.15 The County Durham economy has a large manufacturing sector and a number of major world leading companies established in the county that acknowledge both historic and emerging strengths. The sector is represented through a diverse range of sub-sectors, including a number where there is both a strong presence and growth potential.
- 4.16 The manufacture of fabricated metal products forms the largest component of the manufacturing base within County Durham accounting for 4,750 jobs, a figure that has grown by 2,250 jobs since 2009. This is followed by the manufacture of machinery and equipment that accounts for 4,000 jobs and has experienced an uplift of 750 jobs.
- 4.17 County Durham is host to an increasing number of key manufacturing employers and assets. For example:
- Hitachi Rail has established a train manufacturing and assembly site at Merchant Park in South Durham employing around 600 and further sites have been identified within the county to expand operations further.
 - GSK is a major international brand that also has a significant facility at Barnard Castle employing around 1,400 within West Durham.
 - Gestamp Tallent Limited, a Tier 1 automotive chassis manufacturer, employ around 1,000 in Newton Aycliffe.
 - Caterpillar UK Limited are the largest employers in Peterlee with over 1,000 employees and are the only manufacturer of off-highway articulated trucks in the Caterpillar Group.
 - ZF are a Tier 1 automotive manufacturer of sensing equipment for cars, employing around 800 in Peterlee.
 - 3M UK plc, manufacturers of respiratory masks and PPE, employ over 400 in Newton Aycliffe.
 - Husqvarna UK Limited manufacture robotic lawnmowers, employing over 400 in Newton Aycliffe.
- 4.18 This illustrates how traditional and advanced manufacturing companies have successfully established themselves within County Durham with potential for further growth to occur.
- 4.19 While some manufacturers will increase their competitiveness through digitisation, robotics and automation, reducing the workforce, there is the opportunity to offset these losses through growth in some of the strongest sub-sectors. This includes those that are able to take up new opportunities in growth markets in the green economy, clean energy and long-term activities to reach zero carbon and help to meet climate change objectives.

- 4.20 While the pandemic has had a limited effect on the advanced manufacturing sector, Brexit is likely to impact on those companies which are part of European supply chains and are dependent on the recruitment of high skilled international migrants. Conversely, over the next five years, new trading arrangements could unlock new opportunities. Increased advanced manufacturing employment provides an opportunity for increased employment in skilled, above average productivity roles, therefore increasing the mean productivity in the local authority.

Productivity by Sector

- 4.21 As noted in [chapter 2](#), County Durham's economy generated £8.8 billion of GVA in 2018, accounting for 16% of the North East total. One key measure of productivity is GVA per full-time equivalent (FTE) worker - the value of the output that one worker produces. In County Durham in 2018, GVA per FTE was £61,601 20% less than the national average at £75,149.
- 4.22 GVA per FTE varies considerably by sector, as shown in the table below. The sectors with the highest productivity levels in County Durham are manufacturing and agriculture, mining and utilities. While County Durham is more productive in the primary and secondary sectors of manufacturing and agriculture, mining and utilities compared to the national average, it is notable that it records a lower output per FTE worker in all other sectors. The largest disparities are evident in finance and insurance activities (reporting the third highest level of GVA per FTE within County Durham but a rate that is less than half the figure reported nationally) and information and communication (where the GVA per FTE contribution is just over half the national average).
- 4.23 These low levels of productivity impact on business profitability and wage levels, depressing household incomes and limiting the amount of spending in the local economy. Driving up productivity levels, across all sectors, is an important priority for County Durham but particularly in those sectors where performance lags considerably behind the national average.
- 4.24 Manufacturing, agriculture, mining and utilities and public admin and defence all account for a larger proportion of GVA than employment, finance and insurance activities and information and communication account for the same share, while the reverse is true in the case of all other sectors.

GVA per FTE by Sector, 2018

	County Durham	England
Agriculture, mining, electricity, gas, water and waste	£139,956	£118,505
Manufacturing	£92,458	£78,802
Financial and insurance activities	£67,273	£143,805
Public administration and defence	£66,059	£78,763
Information and communication	£59,016	£116,376
Construction	£54,857	£90,860
Education	£46,820	£52,960
Wholesale and retail trade	£40,267	£55,692
Transportation and storage	£39,310	£58,950
Other service activities	£38,857	£63,682
Human health and social work activities	£36,333	£45,754
Arts, entertainment, and recreation	£35,368	£59,557
Professional, scientific and technical activities	£34,476	£64,869
Administrative and support service activities	£31,412	£47,506
Accommodation and food service activities	£29,290	£32,627
Economy wide	£61,601	£75,149

Source: BRES and Office for National Statistics (ONS) Regional Accounts GVA (Balanced), 2018

Key Employment Locations

4.25 The map overleaf, shows the distribution of employment across County Durham, with the darkest purple areas presenting the location of the highest number of jobs, as of 2019. This highlights concentrations of employment in Durham City, Newton Aycliffe, Peterlee as well as Bishop Auckland, Barnard Castle, Spennymoor, Seaham, Chester-le-Street and Consett. The map also highlights the location of some of the largest public and private sector employers and key business locations and assets. Key employment locations are covered in more detail in [chapter 8](#).

Summary

- 4.26 There has been significant employment growth in County Durham, with an additional 10,500 jobs added since 2009. However, the full impact of COVID-19 upon employment is yet to be experienced.
- 4.27 County Durham has a large industrial and public sector employment base. Manufacturing is a key sector of the economy with a large and diverse company base supporting 25,000 jobs. It makes the largest contribution in terms of GVA to the County Durham economy with its contribution per FTE exceeding the national average. While there is an underlying long term trend of workforce reduction in the sector, and this may be exacerbated by Brexit, the broad sector and particular sub-sectors have the potential to contribute to the UK Industrial Strategy, increasing County Durham and national productivity and supporting a move towards clean and renewable energy as part of zero carbon objectives.
- 4.28 It is impossible to overstate the importance of manufacturing to the County Durham economy. It is the largest source of full time, well paid jobs and the workforce productivity easily exceeds the national average.

Maintaining and, if possible, increasing employment, in the light of many challenges, is the number one economic priority for County Durham. There is a long term downward trend in UK manufacturing employment, and County Durham will need to secure new and significant inward investment – an ambition that it has successfully achieved in recent years – to offset the inevitable jobs losses in some sub-sectors.

- 4.29 The health sector has a very large employment base in the county and this is likely to continue. Brexit is likely to lead to recruitment challenges for the care sector while the health sector supply chain is likely to seek to reduce dependency on international supply chains, in the light of the COVID-19 pandemic. The sector is the best source of employment opportunities, across a broad range of skill levels, with replacement demand generating new job opportunities each year.
- 4.30 The performance of the ICT sector in County Durham is very poor, with GVA per FTE less than half of the UK figure, as is financial and insurance services. While the latter is not surprising, the ICT figure is worth further investigation and to take advantage of new trends the development of a strategy to address this issue, covering all aspects of sector development including place, business premises, business support and new starts and skills, should be a priority.
- 4.31 County Durham continues to be over dependent on the public sector for jobs growth and sector specialism. Increasing private sector employment in the high growth service sub-sectors is a requirement to rebalancing the economy, increasing employment and improving productivity.

5 Business and Innovation

Introduction

- 5.1 This section of the report provides an overview of the business environment in County Durham, including the business base and key businesses and innovation performance and assets. The business environment and the ability to attract and cultivate successful businesses as well as the level of innovation is a key to the success of a local economy, supporting growth and development, higher wages, and productivity.

The Business Base

- 5.2 As of 2020, there were around 14,105 businesses within County Durham, accounting for 20% of businesses within the North East, in line with its share of population. Since 2010, the business base has grown by 2,660 businesses; an uplift of 23.2%, compared to 27.9% across the North East and 33% nationally. The strongest gains have been recorded in the period since 2014. If County Durham had matched the national growth rate, it would now be home to 15,220 businesses, 1,115 more than the latest statistics show.
- 5.3 Business density provides a measure of the size of the business base relative to the working age population. The business density in County Durham has grown between 2010 and 2020, from around 345 businesses per 10,000 working age residents to 430, roughly equal to the North East average, although it remains significantly below the national average (677). The rate of growth (24.6%) recorded over the period also remains below that recorded regionally (29.6%) and nationally (28.4%). County Durham would need an additional 8,126 businesses (58% of the existing business base) to achieve the England wide business density.

Business Start-Ups, Deaths and Survival Rates

- 5.4 In 2019, 1,710 new businesses were created in County Durham, accounting for 17% of start-ups in the North East that year and 6% of the total business base. In recent years, County Durham's business birth rate has remained consistently below the regional and national averages, as a percentage of the business base, although at 12.4% the numbers are substantial.
- 5.5 Intelligence shared by Durham County Council suggests that in 2020 the top four industries for start-ups were construction, real estate, professional services and support activities, and wholesale and retail trade. Sole traders accounted for over half (52.1%) of start-ups, limited companies accounted for 46.1% and other for profit start-ups 2.8%.
- 5.6 Considering business deaths as a proportion of the total business base, County Durham performs well, although this may be indicative of fewer business births as a share of the business base. On average, 10% of businesses have ceased per annum over the last five years, which is considerably lower than the regional attrition rate (which has consistently been more than double the rate recorded in County Durham) and consistently below the national rate (which has fluctuated between 10% and 13%).
- 5.7 Data from the ONS details the business survival rates for enterprises created in 2014. In the first year, a similar proportion of enterprises, more than 9 in 10, survived in County Durham, the region and nationally. Overall, in the subsequent five years, 43.1% of businesses in County Durham survived, exceeding the rate recorded across the North East and similar to the proportion in England as a whole.

Businesses by Employment and Turnover

- 5.8 The majority of businesses in County Durham are micro businesses employing fewer than 10 people (88.1%). This is slightly above the average proportion for micro businesses for the North East (87.6%) and below the proportion for England (89.7%). In 2020, there were 40 large organisations in County Durham employing over 250 people representing 0.3% of total businesses, a proportion marginally below the regional and national averages. Almost 300 businesses in the county employ 50 or more staff.

Business Size, 2020

	County Durham		North East	England
	No.	%	%	%
Micro (0 to 9)	12,425	88.1	87.6	89.7
Small (10 to 49)	1,385	9.8	10.1	8.4
Medium-sized (50 to 249)	255	1.8	1.8	1.5
Large (250+)	40	0.3	0.5	0.4
Total	14,105			

Source: Business Counts, 2020

- 5.9 Businesses by turnover data shows that County Durham's business base broadly mirrors regional and national trends. Reflecting the focus on micro businesses highlighted above, the majority of businesses in the county (84.3%) have a turnover of less than £0.5 million per annum. In contrast, there are over 1,230 businesses with a turnover over £1 million, equating to 8.7% of the business base, compared to 9.5% nationally.

Businesses by Turnover, 2020

	County Durham		North East	England
	No.	%	%	%
Micro (0 to 9)	12,425	88.1	87.6	89.7
Small (10 to 49)	1,385	9.8	10.1	8.4
Medium-sized (50 to 249)	255	1.8	1.8	1.5
Large (250+)	40	0.3	0.5	0.4
Total	14,105			

Source: Business Counts, 2020

Businesses by Sector

- 5.10 The business base by industry shows that, unlike the share of employment, construction makes up the largest proportion of businesses (14.7%), followed by professional, scientific and technical; (12.2%) and agriculture (9.7%).
- 5.11 Sectors in agriculture and accommodation have larger than typical shares of the business base in County Durham when compared to the national picture, whilst the number of information and communications firms is below average.
- 5.12 County Durham's largest employment sectors of manufacturing and health account for relatively small numbers of businesses, suggesting a focus on medium and large employers for employment in the sectors.

Businesses by Sector, 2020

	County Durham	England
Wholesale and retail trade	2,120	15.0%
Construction	2,075	14.7%
Professional, scientific and technical	1,720	12.2%
Agriculture, forestry and fishing	1,375	9.7%
Accommodation and food services	1,225	8.7%
Administrative and support services	965	6.8%
Manufacturing	880	6.2%
Transportation and storage	740	5.2%
Other service activities	685	4.9%
Human health and social work	510	3.6%
Information and communication	470	3.3%
Real estate activities	365	2.6%
Arts, entertainment and recreation	335	2.4%
Education	240	1.7%
Financial and insurance activities	190	1.3%
Public administration and defence	85	0.6%
Water supply; sewerage, waste management and remediation	60	0.4%
Electricity, gas, steam and air conditioning supply	40	0.3%
Mining and quarrying	20	0.1%
Total	14,105	

Source: UK Business Counts, 2020

Innovation

- 5.13 Innovation is a key driver of economic growth. Increasing the level of innovation and the uptake of new ideas gives businesses a competitive edge and can lead to productivity improvements. The UK's Industrial Strategy also highlights the importance of innovation to economic growth and development, bringing benefits across the economy as a whole.
- 5.14 The Innovation Readiness Report prepared by Oxford Economics (2019), suggests that County Durham already has an established reputation for innovation and a specialism in R and D intensive sectors compared to the remainder of the North East. In 2016, R and D expenditure was estimated at £100m in County Durham, of which 45% was contributed by the higher education sector (reflecting the presence of research-led Durham University). The report forecasts that R and D spend will increase by 7% between 2017 and 2025 reaching £123 million by 2025. The research suggests that if the level of innovation was to match Cambridge and Oxford there would be £283 million in additional R and D spend and 16,000 additional jobs in innovation-orientated sectors by 2025.

- 5.15 The UK Government's Industrial Strategy has a target to raise investment on R and D to 2.4% of gross domestic product (GDP) by 2027. In 2018, R and D expenditure in the North East (region) was £780 million, 1.2% of GDP, below the national rate 1.8% and the Industrial Strategy 2027 target. R and D expenditure in the North East accounts for 2.4% of total English expenditure on R and D, including £443 million of R and D undertaken by businesses (1.9% of the national total) and £250 million by Higher Education Institutions (3.5% of the England total).
- 5.16 Reflecting the region's focus of R and D expenditure within the Higher Education sector, the R and D spend per employee was just £722 in the North East region in 2018. This is the second lowest amount of investment per job in the English regions after Yorkshire and the Humber with £661. The average investment per job in England stood at £1225. To equal this, the North East would need to attract an additional £545m of R and D investment per annum.
- 5.17 Limited R and D investment across the business base is impacting on performance. Within the Benchmarking Local Innovation Report (2019), the North East LEP ranks 28th out of 39 LEP areas for the number of firms undertaking R and D with less than a fifth (19.3%) of firms undertaking this activity. In comparison, Oxfordshire is ranked number 1 with 40% of firms undertaking research and development.

Knowledge Intensive Industries

- 5.18 Knowledge intensive industries, which include High tech and Medium-High Technology Manufacturing and Knowledge-intensive Services as defined by Eurostat, are based on industries' use of technology, R and D intensity and the level of workforce skills and therefore provide one assessment of the level of innovation in an area. Within County Durham, 91,000 people are employed in knowledge intensive industries – almost half of total employment (49.7%), marginally below the national level (50.9%).
- 5.19 Knowledge-intensive service sectors are underrepresented in employment terms, accounting for 43.4% of employment compared to 48.4% nationally. If knowledge intensive services constituted the same proportion of jobs in County Durham as across the country, there would be an additional 9,000 jobs in knowledge intensive services.
- 5.20 In contrast, County Durham has recognised strengths in high or medium-high technology manufacturing, which account for 11,500 of jobs in knowledge intensive industries equating to 6.3% of total employment, the second highest concentration in the North East and notably above the England average of 2.5%, reflecting clusters of activity, including the manufacture of transport equipment such as at the Hitachi Rail plant in County Durham.

High/Medium-high Tech Manufacturing Share of Total Employment, 2019

	High-technology Manufacturing	Medium-high-technology Manufacturing	High and Med-high-tech
County Durham	1.3%	5.0%	6.3%
North East	0.5%	2.1%	2.5%
England	0.5%	3.7%	4.2%

Source: BRES, 2019

- 5.21 Oxford Economics predicts the GVA for high technology and knowledge-intensive sectors will grow by 5% by 2025, driven by productivity improvements which will help to boost wages in these sectors and make County Durham more attractive to skilled individuals, as well as contributing to overall economic performance.

Assets

- 5.22 Two key innovation assets and locations in the county are the University and the North East Technology Park (NETPark).
- 5.23 The prestigious Durham University is a key anchor institution for the county. Attended by over 19,000 students and employing 1,720 academic staff and 2,640 support staff, Durham University is a leading UK centre of excellence in higher education that forms part of the Russell Group of research-intensive universities.

- 5.24 The National Industrial Strategy recognises the key role for universities as suppliers of highly skilled graduates, drivers of innovation and enterprise and as significant local economic entities in themselves. The university is ranked in the top 40 universities worldwide for employer reputation, 98% of Durham graduates were in work or further study three and a half years after graduation (DLHE 2016/17).
- 5.25 The university has world-class expertise in science, engineering and technology, social science, the arts and humanities. Around a third of all students are enrolled in STEM related subjects. For teaching, it is ranked first in the UK for Music, second for English and Chemistry and third for Forensic Science and Archaeology. In the QS World rankings by subject, Theology and Religion, Archaeology and Geography at Durham University are in the world top 10.
- 5.26 Research performance is also strong. Durham University ranked within the top 20 universities in the UK for research quality in 2021 and the university's Research Excellence Framework (REF) results for 2014 found that 83% of research was "internationally excellent" or "world leading". The University has a number of research institutes including the Wolfson Research Institute, that facilitates research in medicine, health and well-being.
- 5.27 The 2019 Oxford Economics Innovation Readiness Report suggests the university underperforms in regards to spin-off/ start-up activity potentially reflecting of an absence of a collaborative network surrounding the university. This presents an opportunity for development, allowing the County Durham economy to gain further benefits from the activities of the university.
- 5.28 NETPark, a leading science, engineering, and technology park, is another key asset which facilitates and encourages collaboration supporting businesses to innovate and grow. It is the only science park in the UK to have two Catapult Centres, as well as three national innovation centres for Healthcare Photonics, Formulation and Printable Electronics. The co-location of the facilities and businesses helps to foster collaboration and innovation.

Summary

- 5.29 County Durham has a large business base, with around 2,300 more companies than in 2014. There is a large pool of small companies, 1,385 in total employing between 10 and 49 people, and some 295 companies employing between 50 and 249 people. The employment profile is reflected in the business turnover figures with some 145 companies with a turnover of between £5 million and £10 million and a further 155 with a turnover in excess of £10 million.
- 5.30 While the business base by industry shows that construction makes up the largest proportion of businesses followed by professional, scientific and technical; the county has a very large number of manufacturing companies, 880 in total and 740 in transport and distribution. The county also has a significant number of businesses in key service sectors with considerable growth potential. This includes some 470 businesses working in ICT and 190 in financial and insurance services, although the data suggests employment numbers and productivity are low. Further investigation of this position could help to develop these two sectors which have very positive growth prospects.
- 5.31 In a typical year, some 1,700 new starts are established in County Durham and while the start-up rate is below the North East average, the survival rate is much better, with a significant proportion still trading after five years of operation. County Durham should seek to increase the new starts rate to consistently match the wider North East figure.
- 5.32 The Durham economy benefits from many established and substantive businesses. Within this pool there are likely to be a substantive number with growth plans and the potential for expansion over the coming years. Developing plans to assist these companies, particularly in growth and high productivity sectors, should be a high priority for business support, skills and innovation funding.
- 5.33 County Durham has recognised strengths in high and medium high-tech manufacturing, with a relatively high concentration of employment. However, knowledge-intensive services are underrepresented in the county – presenting an area for potential growth. While the county benefits from a number of important assets, including the university, improving the skills level of the workforce is key to driving growth in innovation and productivity, with a highly skilled local labour force attracting more innovative businesses which then attract more highly skilled people to the area.

6 Education, Training and Skills

Introduction

6.1 The education and skills system plays a key role in ensuring County Durham's young people have the skills and abilities that they will need to thrive in the labour market, and ensuring employers can access the workforce they need – across all age groups and career stages – to compete. Improving skills levels can drive growth, productivity, and the earnings potential of an economy as well as supporting individuals to respond to changing employer requirements. This section considers the current skills profile of the population and alignment with evolving skills needs within the economy.

Skills and Training

- 6.2 The proportion of the working age population in County Durham skilled to Level 2 and above (75.3%) is broadly in line with the national population (75.7%) and higher than that of the North East (73.5%). Greater variations are evident at both the high and low skilled end of the spectrum. Data shows that:
- At 31.6%, the proportion of the population with a degree or a higher degree (Level 4+) in County Durham is considerably below the national average (40.0%), and marginally below the North East average (31.9%).
 - At the other end of the skills spectrum, 8.7% of working age residents have no qualifications, above the national proportion 7.5% but below the regional level 9.4%.
- 6.3 People with no formal qualifications are likely to find it increasingly difficult to find permanent, secure jobs paying above the minimum wage, as the structure of employment and employer demands change. With a significant proportion of the county's workforce in occupations at Levels 2/3, across both office based and industrial sectors, where jobs will be lost due to digitisation and automation, there is also likely to be a persistent demand for updating and refreshing skills to support people to move into new employment.
- 6.4 Overall, while the skills profile presents a broadly positive picture, these figures reveal that skills in County Durham are concentrated towards the lower end of the scale than nationally. Given changing skills requirements, a need for ongoing upskilling and re-skilling is anticipated to impact on all sections of the workforce over time. Supporting people of all ages to continue to enhance their skills will be important to facilitating access to and progression in employment, as well as supporting productivity gains across the economy.
- 6.5 Within County Durham 56% of businesses offer on and off the job training, exceeding the national rate of 50%. 100% of companies within County Durham offer any form of training, this is comparable to the national rate.
- 6.6 During 2018/2019, there were 3,060 apprenticeship starts in County Durham, 22% of the North East total. Just over 30% were intermediate apprenticeships, 43% were advanced and 24% were higher apprenticeships. Apprenticeship starts are broadly in line with the main employment sectors with the highest numbers recorded in business, administration and law; health, public services and care for the health and social work sector; and engineering and manufacturing technologies for the advanced manufacturing sector.

Occupation

- 6.7 As of 2020, professional occupations (19.9%) account for the largest share of the working age population in County Durham, followed by associate professional and technical occupations (13.8%) and caring, leisure and other service occupations (11.7%). The occupational profile is aligned to the North East, but the comparison to the national picture reveals some disparities.
- 6.8 Locally there is a larger share of the workforce working in lower skilled occupations for example: 11.7% in caring and leisure roles compared to 8.8% nationally; 11.3% in elementary occupations compared to 9.6% nationally; and 7.9% are plant and machine operatives compared to just 5.6% nationally. This is indicative of the County's large industrial employment base. In addition, only 8.7% of the workforce are in managerial and senior roles compared to 11.8% nationally.
- 6.9 ONS Analysis from 20195 looked at the occupations most at risk of some tasks being replaced through automation, which found lower skilled jobs were most at risk (ONS (2019) Which occupations are at highest risk of being automated? <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationsareathighestriskofbeingautomated/2019-03-25>).

The analysis suggested 1.5 million jobs in England are at risk of being partially automated in the future, with women, young people, and those in part time work are most likely to work in jobs which are at high risk of automation – 70% of the roles at high risk of automation are held by women, and those aged 20-24 are most at risk.

- 6.10 Elementary roles and process, plant and machine operatives on average are most at risk of automation, while managerial and professional occupations are least at risk. The three occupations with the highest probability of automation are waiters and waitresses, shelf fillers and elementary sales occupations, while medical practitioners, higher education teaching professionals, and senior professionals of educational establishment are at the lowest risk of automation.
- 6.11 Applying these probabilities to County Durham’s occupational profile, suggests around 45% of jobs are at high risk of being automated, the same proportion as across the North East but above the national proportion (43%).

Skill Shortages

- 6.12 The UK Employer Skills Survey provides a comprehensive source of information on employer skills needs. In 2019, it found that 15% of employers in County Durham reported a skills gap compared with 13% in the North East and 13% nationally. Skills gaps of 3% are recorded in elementary occupations, skilled trades, and administrative and clerical staff, this is in line with national skills gaps reported for these occupations.
- 6.13 County Durham employers reported a lower proportion of hard to fill and skill shortage vacancies than the North East and national averages in labour intensive to middle-skilled occupations. However, 66% of hard to fill vacancies are due to a shortage of skills, compared to 67% nationally.
- 6.14 As noted earlier in the report, there is also the risk of significant skill losses as the population ages and people move into retirement, particularly in manufacturing industries. There is a need to ensure targeted upskilling on the workforce including younger generations to combat this challenge.

Young People Not in Education, Employment or Training (NEET)

- 6.15 A young person who is not in education, employment, or training is classed as ‘NEET’ (<https://www.gov.uk/government/publications/neet-and-participation-local-authority-figures>). There is strong evidence that being NEET can have a long-lasting, negative impact on people’s labour market prospects, in terms of likelihood of experiencing future spells of unemployment and low earning levels, as well as on confidence and mental health.

Young People Not in Education, Employment or Training (NEET), 2020

	County Durham	North East	England
% age 16/17 NEET	4.9	5.9	5.5
% female age 16/17 NEET	4.3	5.2	4.7
% male age 16/17 NEET	5.5	6.6	6.2
% age 16 NEET	3.7	3.9	3.5
% age 17 NEET	6.1	7.9	7.5

Source: NEET and participation: local authority figures, 2020

- 6.16 County Durham performs well in terms of young people not in education, employment or training against the regional and national rates. Whilst the percentage of 16 year old NEETs at 3.7% is higher than the national rate of 3.5%, it is lower than the regional rate of 3.9%, and the percentage of 17 year old NEETs at 6.1% is lower than the regional rate of 7.9% and the national rate of 7.5%.

Education

- 6.17 The Department for Education (DfE) implemented Attainment 8 and Progress 8 measures in 2017, creating a new secondary school accountability system. Attainment 8 measures the average achievement of pupils in up to 8 qualifications including English and maths. Progress 8 aims to capture the progress a pupil makes from the end of Key Stage 2 to the end of Key Stage 4. It compares pupils' achievement – their Attainment 8 score – with the average Attainment 8 score of all pupils nationally who had a similar starting point (or 'prior attainment'), calculated using assessment results from the end of primary school.
- 6.18 Data from the DfE reveals County Durham's educational attainment is above the national average. Although between the academic years of 2017/18 and 2018/19 the average Attainment 8 score remained the same in County Durham, the Progress 8 score in the academic year 2018/19 reveals an improving position for County Durham. Despite this, the Progress 8 scores reveal that students continue to report poorer progress between the end of Key Stage 2 and Key Stage 4 compared to the national average.

Secondary Attainment between 2017/18 and 2018/19

		2017/2018	2018/2019	change
Average Attainment 8 Score per pupil	County Durham	45	45	0
	England	44.5	44.7	+0.2
Workplace Earnings – 2020	County Durham	-0.23	-0.2	+0.03
	England	-0.02	-0.03	-0.01

Source: DfE, GCSEs Key Stage 4 Statistics, 2017/18 to 2018/19

- 6.19 In 2019, 65% of Key Stage 2 pupils were meeting the expected standard in County Durham for reading, writing and mathematics, equal to the national share but below the regional average of 67%. This marks a deterioration in performance locally since 2016, when that rate was at 70%. Although all areas considered have reported a deterioration in performance across the period, the reduction has been most significant in County Durham which previously performed ahead of the comparator areas.
- 6.20 Ofsted scores for 2019/2020 reveal that the majority of County Durham's primary schools are either outstanding or good (89%), comparable to 88% nationally. However, a smaller proportion of County Durham's primary schools are outstanding (16%) compared to 18% in North East and 17% nationally. One in ten primary schools in the county require improvement – a proportion that exceeds the rate in comparator areas - although just 1% of primary schools are inadequate compared to 3% nationally.
- 6.21 In comparison, Ofsted results for secondary schools reveal that a larger proportion of County Durham's secondary schools are outstanding (22%) than the North East average (16%) and a slightly higher proportion than nationally (20%). However, a higher proportion of schools require improvement or are inadequate, 38% in County Durham compared to 24% nationally.
- 6.22 Outstanding primary schools and high performing secondary schools are an important feature in persuading families with school age children to move into and remain in the county, potentially reducing in-commuting and attracting high skilled staff to take up employment opportunities.
- 6.23 Schools in County Durham continue to improve attainment at all levels and provide older pupils with better information, advice and guidance to make the transition to further education or employment.

Future Skills

- 6.24 It is widely recognised that skills requirements are changing across the economy and that there is a need for the workforce to be adaptable. For example, digitisation will have a significant impact upon employment and skills at all levels across all sectors and demand for higher level skills is increasing.
- 6.25 The UK Commission for Employment and Skills The Future of Work Jobs and Skills in 2030 report suggests there is likely to be a further polarisation of the labour market, with a shift towards higher skilled occupations and 'a shrinking middle' as increasing number of jobs which traditionally occupy middle skill levels and earnings range become redundant due to technological advance and globalisation. The highly skilled minority

will have strong bargaining power while low skilled workers will be forced to work more flexibly increasing inequality. However, the report suggests new types of jobs will emerge to fill the middle ground, this means there will need to be a focus on ensuring people are retrained and reskilled and supported to moving into new roles to avoid rising unemployment levels as jobs become redundant.

- 6.26 The biggest increase in jobs is projected for managers, professionals and associate professionals, driving the demand for scientific and technical skills. In terms of low skilled roles, caring, leisure and other service jobs are expected to grow, while mid-level skilled jobs in administration and production are expected to decline.
- 6.27 Nationally, the workforce is expected to become more highly skilled, with around 54% of people in employment qualified to Level 4 or above by 2024, reflecting demand and supply-side factors as educational participation levels are expected to remain strong, older and often less qualified people retire, and demand grows for higher qualified employees to fill increasing numbers of managerial and professional jobs. This will have significant implications for the workforce in County Durham, which is concentrated within mid-level skills.
- 6.28 The 2019 Oxford Economics Innovation Readiness report suggests in County Durham there will be a continued shift in occupational profile with the highest skill-based occupations expected to account for almost half of all net additional jobs in the period up until 2025.

Summary

- 6.29 The County Durham skills base reflects the structure of the economy, although the presence of major companies such as Hitachi Rail and GSK show that the county can provide a high skilled labour force to meet employer demand.
- 6.30 County Durham is well placed to provide the future workforce for a changing economy, with large numbers of young people regularly graduating from universities and its ability to attract staff from the wider North East.
- 6.31 The county has more of a challenge with regard to recruitment issues related to senior and experienced staff, an issue affecting a number of sectors and affecting the wider North East. Brexit is likely to make the UK a less attractive destination for international migration and could exacerbate these persistent problems.
- 6.32 A medium-term solution is the grow your own option and the county has an excellent record in apprenticeships, including higher level apprenticeships. The recruitment of apprenticeships should remain one of the most important priorities for the county given the evidence of the benefits to both the company and individual from investing in young people.
- 6.33 The occupational structure in County Durham shows much higher proportions employed in lower skilled occupations including in caring and leisure roles, elementary occupations and plant and machine operative roles and fewer working in more highly skilled occupations. Many routine jobs will be impacted by new technology.
- 6.34 County Durham has significant numbers in occupations which are at risk as digitisation, automation and robotics replaces jobs in both manufacturing and services. This often unseen but steady erosion of jobs will impact on efforts to increase employment and respond to the pandemic. Many of those affected will need to update their skills to take up new employment and the health sector, distribution and logistics are likely to be an important source of new jobs.
- 6.35 County Durham schools are underpinning improvements to the potential of pupils to move on to higher educated further education and employment. There is a small but significant group who do very poorly, with a serious and long term effect on their life prospects. Improving the educational performance of this group, who often are in challenging social settings, should be a major priority.

7 Housing and Communities

Introduction

- 7.1 This section looks at the housing and communities' elements of the County Durham economy, including housing provision and affordability, deprivation and health and the roles different areas of the county play in the economy.
- 7.2 Housing plays a vital role in supporting the growth of the area and is key to reversing the forecast decline in working age population and providing the workforce that will be required to support economic growth.
- 7.3 In addition, addressing deprivation is key to developing a more inclusive economy, and ensuring areas are not left behind but can contribute and benefit from growth. There is now a growing body of evidence which shows that increasing productivity and the number of jobs in an economy are not guaranteed to improve living standards. Addressing the challenges facing communities, including housing and neighbourhood conditions, is an important part of the inclusive growth agenda.

Households

- 7.4 As of 2019, there were an estimated 233,930 households in County Durham, 20% of households in the North East, with the average household size 2.2 people. ONS household forecasts reveal the number of households is expected to grow by 21,682 (9.3%) in County Durham by 2039. This rate of growth is marginally above the North East wide growth (8.8%) but below the national growth rate (17.0%).

Household Projections (in thousands), 2014

	2009	2019	2029	2039	2019 to 2039 Change	
					No.	%
County Durham	220	234	246	256	22	9.3%
North East	1,123	1,182	1,241	1,286	105	8.8%
England	21,919	23,927	26,083	28,004	4,077	17.0%

Source: DCLG Live table 406, 2014 based

- 7.5 Housing plays a key role in economic development. Successful housing delivery is key to retaining and attracting people in the area. The anticipated household growth highlights the need to ensure there is a pipeline of housing delivery to meet growth. Delivering the right sort and scale of housing development can enhance economic performance and make places more attractive and competitive.
- 7.6 The housing market can also lead to concentrations of poverty, or act as a constraint on growth. The quality of housing is a key issue in some parts of the county with an ageing housing stock. There is a need to renew and replace some housing to ensure it is fit for its residents, serving and uplifting communities, improving quality of life.
- 7.7 It is important that County Durham's housing market, and housing growth plans, support its wider economic growth ambitions. This includes ensuring there is a supply of family housing built in good locations in terms of employment, schools, services, in order to attract working age people to the area, including those who currently commute into the county to work, to help to counteract the anticipated decline in the working age population. In addition, as the county's population ages, ensuring there is suitable housing for the growing elderly population is also important, which in turn can help to release family homes for working households.
- 7.8 In the ten years between 2009/10 and 2019/20, an average of 1,231 new homes were completed each year, below the level of household growth over the same period. Data from the last two years shows an uplift in the number of homes completed, with 1,640 homes completed in addition to a further 1,440 homes started in 2019/20. This is above the Local Plan Annual Growth target of 1,308 between 2016-2035.
- 7.9 The Strategic Housing Land Availability Report 2019 finds there is capacity for 32,388 houses over 375 sites that are identified as potentially suitable for housing development, of which 234 sites are existing housing

commitments, some of which are under construction. Within the 1-5 years delivery time frame there is potential capacity for 18,357 houses across the county and within the 6-15 years delivery time frame there is the potential capacity for a further 7,747 houses.

- 7.10 The Local Plan, adopted in 2020, reiterates the need to allocate housing close to jobs and services to ensure sustainable development by reducing the need to travel and ensuring that existing services are supported. The key housing allocations identified in the Local Plan match the employment growth locations and are concentrated within East Durham (20.9%), South Durham (16.4%) and Mid Durham (14.9%), which account for over half of the total allocations.

Housing Affordability

- 7.11 Housing affordability is a key strength across County Durham. A commonly used indicator of housing affordability is the ratio of the median house price to median annual earnings. As of 2019, the median house price was over four times the median annual salary with a ratio of 4.35, suggesting housing in County Durham is more affordable than the North East as a whole, which had a ratio of 5.20, and significantly more affordable than nationally (7.83).
- 7.12 This is primarily driven by lower median house prices, rather than lower incomes. The median house price in 2019 in County Durham was £120,000, the lowest across all North East local authorities, marginally below the North East average (£140,000) and significantly below the national figure (£240,000).
- 7.13 The median housing affordability ratio has fallen since the decade before, similar to the trend across the North East but contrary to the national trend.
- 7.14 Housing is also relatively affordable for lower earners in County Durham. The ratio of lower quartile house price to lower quartile gross annual earnings is the lowest reported across all North East local authorities, at 3.68 compared to a North East average of 4.66, and significantly below the national ratio of 7.27.
- 7.15 A 2018 independent Residential Market Assessment of County Durham found that the County Durham market is granular in nature with house prices fluctuating significantly across relatively short geographical distances.

Deprivation

- 7.16 The Index of Multiple Deprivation (IMD) is the most used measure of deprivation. IMD covers the following seven domains: income deprivation; employment deprivation; health deprivation and disability; education skills and training deprivation; barriers to housing and services; living environment deprivation; and crime.
- 7.17 In 2019, County Durham was the 62nd most deprived local authority in the country (out of 317), down from 75th position in 2015, representing a deteriorating position. Lower level statistics show that 12% of Lower-layer Super Output Areas (LSOAs) are in the 10% most deprived in England, compared to 20.1% across the North East as a whole, while exactly a third of LSOAs are in the most deprived 20% across the country. Within a northern context, particularly when compared to many of the northern cities, County Durham does not perform poorly by this measure of deprivation.
- 7.18 The figure overleaf shows there are hotspots of deprivation in the East of Durham and coastal towns of Seaham and Peterlee, Bishop Auckland and Newton Aycliffe in the South, Stanley in the North and parts of Durham City.
- 7.19 There is a need to address longstanding pockets of deprivation which exist within certain localities. This includes communities disconnected to their housing and labour markets which has a negative impact on social mobility. As noted by the Joseph Rowntree Foundation, a paradox exists where despite particular neighbourhoods being located close to key employment sites, the residents continue to be underrepresented within their local labour market.
- 7.20 Key interventions include: action to ensure young people are able to gain the qualifications, skills and capabilities to take up training and employment opportunities; ensuring targeted support is in place for those with health issues, including mental health, to bring people back into training and employment; support for those who need multiple interventions before they are ready to take up training and employment opportunities. In addition, the physical regeneration of deprived and rundown areas will play an important part in raising aspirations and increasing community confidence.
- 7.21 Interventions which can help address these issues and foster inclusive growth are key to lifting areas out of poverty and supporting social mobility. Not all deprived areas face the same issues and barriers, and therefore policy approaches need to recognise diversity in areas.

7.22 County Durham performs relatively poorly in the health deprivation and disability and employment domains – ranked 32nd and 35th most deprived respectively – with around a quarter of LSOAs in the most 10% deprived for both domains. In contrast, County Durham performs particularly well in the barriers to housing and services domain and relatively well in terms of the education, skills and training domain.

Index of Multiple Deprivation, 2019		
Domain	Rank of Average Score	% of LSOAs in most deprived 10% nationally
Overall Index	62	12.0%
Income	49	12.7%
Employment	35	24.7%
Education, Skills and Training	109	9.3%
Health Deprivation and Disability	32	25.3%
Crime	78	14.5%
Barriers to Housing and Services	288	0.9%
Income Deprivation Affecting Children Index	45	16.7%
Income Deprivation Affecting Older People	68	4.9%

Source: IMD, 2019

Health Inequalities

- 7.23 As the IMD data suggest County Durham performs poorly in measures of health. Relative to regional and national levels, County Durham has:
- A lower healthy life expectancy at birth, a measure of the average number of years a person would expect to live in good health, for both men and women (Public Health England 2016-2018)
 - Higher mortality rates from causes considered preventable (across all ages) (Ibid)
 - A higher suicide rate and prevalence of mental health disorders (for those aged 16 and over) (Public Health England 2017-2019)
- 7.24 In addition compared to the national level County Durham has a higher prevalence of obesity in children (Year 6 aged) (Public Health England 2019/20). Closing these gaps could impact on economic performance as well as individual enjoyment of life.
- 7.25 Ill health is the cause of a larger share of those economically inactive than nationally, reducing the size of the labour force available to local employers, and suppressing household income levels.
- 7.26 A Northern Health Science Alliance report, Health is Wealth, highlights the importance of health on productivity and how improving health outcomes can reduce the productivity disparities between the North and the rest of England. The report highlights how reducing ill health leads to higher employment levels, lower economic inactivity and higher GVA per head.
- 7.27 Educational attainment and employment are key predictors for health and wellbeing and vice versa with poor health and high levels of deprivation impacting on school attendance, educational attainment and productivity at work and sickness absence. It is therefore key to look at wider determinants of health, including income, educational attainment access to employment, in order to address long standing health inequalities.
- 7.28 Given the constraint poor population health has on economic growth, there is a need to prioritise interventions which tackle deprivation, as discussed above, which results in ill health, in addition to providing services that promote the health and wellbeing of the workforce and help people manage their long-term health conditions.

County Durham Geography

- 7.29 Durham has a diverse geography, with distinct areas having different roles to play in the local economy with different opportunities and aspirations for growth.

Durham City

- 7.30 Durham City lies at the heart of County Durham, economically, socially and culturally. Durham City is the main employment centre for the county, accounting for around a quarter of the county's employment, providing access to employment and education, health and retail services for communities across the county. The City offers strong public transport and rail links, with Durham railway station and bus station, providing access to large potential labour pools.
- 7.31 Durham City Centre is the county's main office location. The city centre and businesses parks within the town represent a distinct offer within the county. The Aykley Heads site forms a prominent, high profile, gateway site, within close proximity of Durham Railway Station.
- 7.32 Durham City is also a key draw for visitors. Home to Durham Cathedral and Castle World Heritage Site, the city was named as one of the best cities in the world to visit in 2020 by The Independent.¹¹
- 7.33 There has been significant investment in Durham City including the £30m redevelopment of The Riverwalk Shopping Centre including an improved retail offer, a multiplex cinema and associated leisure uses and new public realm opening up the riverside walkways. The £120 million re-development of the former Milburngate House site to deliver mixed-use commercial, leisure and residential development will help to regenerate a historic part of the city. Recently, New Durham City bus station was awarded a further £3.6 million towards a total £10.4 million cost to deliver a new bus station increasing footfall into the city centre.

Towns

- 7.34 County Durham's towns also play an important role in supporting its communities. There are several larger towns which play an important role in the county's economy including Barnard Castle, Chester-le-Street, Consett, Spennymoor, Peterlee, Stanley, Bishop Auckland, Newton Aycliffe, Seaham and Crook, all of which have a population over 6,000 and are key locations for employment, retail and local services.
- 7.35 An ambitious masterplan for Bishop Auckland town centre has been developed capitalising on significant investment at Auckland Castle, to reposition the town as a major tourist destination within the county. The recent Future High Streets Fund award of almost £20m will play an important role in supporting the programme of change.
- 7.36 There is a level of decline occurring within town centres in County Durham, similar to what is happening in town centres across the country, particularly in the North. COVID-19 has accelerated the decline caused by the rise of online shopping as well as out-of-centre retail parks.
- 7.37 Diversification of the offer will support the county's town centres to have a sustainable future, reducing the reliance on declining retail and introducing new uses including housing, health and leisure, entertainment, education, arts, business/office space.

Rural Communities

- 7.38 County Durham is a rural county with two in five residents living in rural areas. Rural areas can make a significant economic contribution, although dispersed populations and a lack of employment concentrations can at times mask their value. Many rural areas face challenges in providing a diverse range of employment opportunities, notably offering sufficient higher paid employment whilst retaining their working age population. Often there is a cycle of out-migration from rural areas of younger working age people as a result of a lack of local employment and progression opportunities.
- 7.39 A key objective of the Local Plan is to "Support and improve the rural economy by encouraging diversification, retaining and enhancing key facilities, infrastructure and services while promoting appropriate new development in rural settlements."
- 7.40 It is important to ensure rural communities have a balance of ages and are supported to grow while respecting the landscape and natural assets, ensuring they are providing quality environments for people to live and visit. Public transport networks are of key importance to rural communities, connecting people to employment and services and allowing young people to access education.

Tourism and Cultural Assets

- 7.41 County Durham is the second most visited local authority in the North East after Newcastle by international visitors. It has seen significant growth in international visitors with an uplift of 76% over the past ten years compared to growth of 30% in Newcastle.
- 7.42 While the City of Durham is a major destination for UK and international visitors, the county has a strong tourism offer across the geography with an attractive coastline and countryside offer with the North Pennines Area of Outstanding Natural Beauty (AONB) incorporating much of the Durham Dales. There are approximately 70 regionally, nationally and internationally recognisable visitor attractions in the county.
- 7.43 According to data from VisitBritain, three of the county's visitor attractions rank in the top five destinations in the North East. The most visited are Durham Cathedral (more than 619,000 visitors and worshippers in 2016) and Beamish Museum (797,203 paying visitors in 2017). Other attractions with significant visitor numbers include Hamsterley Forest, Hardwick Park, Locomotion (National Railway Museum at Shildon), Palace Green Library, The Oriental Museum, the World Heritage Site Visitor Centre, The Bowes Museum, Bowlees Visitor Centre, Auckland Castle, Raby Castle, Durham Castle, Diggerland, Crook Hall and Gardens, Barnard Castle, The Botanic Gardens and the Durham County Cricket Club.
- 7.44 In addition, the county boasts a number of historic townscapes as well as local and national walking, cycling and riding routes which link beyond County Durham's borders. The county hosts major events which attract large visitor numbers such as Lumiere Durham and the Durham Brass Festival. A major new attraction at Eleven Arches, Bishop Auckland has recently added to the county's tourism offer, linking to the wider art and heritage based tourism opportunities being realised at Auckland Castle and Bishop Auckland Market Place.
- 7.45 There remains considerable scope to increase visitor numbers and length of stay. The main challenge is developing and promoting the variety and quality of the county offer, on a par with the high-profile North Yorkshire offer, with both a natural environment and heritage offer in many smaller towns.
- 7.46 Tourism and the leisure market have a role to play in regenerating many of the smaller town centres which have declined as consumers have moved to online shopping and major chains have closed shops in many smaller high streets.

Summary

- 7.47 Housing delivery has typically been below household growth in the past decade although in recent years there has been a notable uplift in the number of homes completed. It will be important to maintain high levels of housing completions, with the added bonus of providing local jobs in the construction industry. Housing delivery needs to balance meeting the needs of an ageing demographic as well as retaining and attracting a young and skilled workforce including through the provision of family housing in high demand locations.
- 7.48 As well as ensuring new good quality housing is delivered in the right locations to attract and retain working age population, there is an ageing housing stock and in some areas there is a need to renew and replace poor quality housing to ensure it is fit for residents and does not continue to lead to concentrations of poverty and deprivation. There is also a need to make the housing stock more energy efficient as a contribution to the low carbon agenda. This is likely to require Government support and could provide opportunities for local employment.
- 7.49 Housing affordability is a key strength of the county: the median housing affordability ratio in 2019 in County Durham stood at 4.35 compared with the national ratio of 7.83, driven by lower median house prices, rather than lower incomes. In IMD deprivation indicators, County Durham performs well in the Barriers to Housing and Services domain.
- 7.50 In a northern context, relatively speaking County Durham, does not perform poorly in regard to levels of multiple deprivation, ranking 62nd nationally. In the North East, it is the 5th least deprived out of the 12 local authorities. However, there remains pockets of deprivation in certain communities across the County in the East of Durham and coastal towns of Seaham and Peterlee, Bishop Auckland and Newton Aycliffe in the South, Stanley in the North and parts of Durham City.
- 7.51 County Durham performs relatively poorly in the health deprivation and disability and employment domains. There is a strong link between health inequalities and high rates of economic inactivity. Poor health is linked to low educational attainment, absence and poor productivity. Multiple deprivation has affected many communities for many years, and various targeted initiatives have been tried over the past 20 years. There is a need to develop new solutions to make more progress.

- 7.52 County Durham town centres are likely to face major challenges as retail declines and online shopping and home deliveries increase. The pandemic is likely to lead to further high street closures while initiatives to help, such as the Future High Streets Fund, provide limited support to a small number of towns. There may be some benefit from looking across the UK for examples of community and business led successful town centre regeneration, focusing on smaller towns.
- 7.53 The diverse geography with Durham City, attractive towns and its rural communities have important and differing roles to play in the County Durham economy.
- 7.54 County Durham is a predominantly County with two in five residents living in rural areas. Ensuring there are suitable employment opportunities and transport links to key employment locations can help to retain younger working residents within rural communities, supporting the area to grow. It is also important that new development is delivered in a way which protects the natural environment and landscape.
- 7.55 Durham City plays a central role, home to key employers, anchor institutions and key cultural and heritage assets. The city is a key tourist destination with Durham Cathedral and Durham Castle, within a UNESCO World Heritage Site. The Bishop Auckland tourist offer is further being strengthened. As lockdown and travel restrictions are eased, tourism will help to play a key role in supporting the economic recovery post-COVID-19.

8 Connectivity and Infrastructure

Introduction

- 8.1 The quality of the economic infrastructure is a key factor determining competitiveness and impacts on the productivity levels of local areas, as highlighted in the UK Industrial Strategy. Infrastructure helps to connect people and businesses to markets, increasing earning power, attracting inward investment and driving productivity.
- 8.2 Economic infrastructure covers a wide range of facilities and structures that an economy needs to operate successfully, including the transport network, broadband connectivity, and the availability and quality of employment land and commercial premises.

Transport

- 8.3 County Durham benefits from direct access to the A1(M), A19 and A66, connecting the county to the rest of the country. The A1 plays an important role in the economy, providing the North East access to Scotland and the south of England, while the A19 connects the east of the county to Tyne and Wear and Tees Valley and the A66 in the south of the county provides an east-west link. Significant investment over recent years has improved capacity on the A1(M) and A19, benefitting manufacturers and exporting firms.
- 8.4 There are three airports within one hour of County Durham, providing access to Europe and the rest of the world. County Durham also benefits from access to ports on the North East coast including Teesport and Port of Tyne.
- 8.5 The rail network is key to the economy with regular direct fast links to Newcastle, Edinburgh, Glasgow, York, Manchester, Liverpool, London, the West Midlands and the South West. County Durham benefits from services on the East Coast Main Line (ECML) stopping in Durham City and Chester-le-Street linking Edinburgh and London, providing connectivity to key locations. In total, there are seven train stations across the county which had a total usage, defined by the number of entries and exits, of 3.4 million between April 2019 and March 2020. Durham Train Station, accounted for the majority of total station usage and was the second busiest train station in the North East, with 2.7m entries and exits. Between 2009/10 and 2019/20, total station usage in County Durham, increased by 0.8m (32.2%), indicating growing demand for train travel in the area (Office of Rail and Road).
- 8.6 There are capacity issues on the ECML which could be partially relived by reinstating the Leamside Line, which would also support a more regular service between Durham City and Chester-le-Street and Newcastle and York, as well as allowing this part of the ECML to be HS2 ready and support the vision for the Northern Powerhouse Rail network.
- 8.7 The county benefits from a network of bus routes which connect residents throughout County Durham, Teesside and Tyne and Wear. Given the dispersed and ageing population and the 27% of households in County Durham who do not have access to a car (Census 2011), the bus network is highly important, particularly within rural communities and the most used form of public transport in the county. There is an extensive network of services with around 175 services and over 3,000 stops.
- 8.8 The Local Plan references the potential for the Tyne and Wear Metro to reach County Durham in the longer term.
- 8.9 While much of East and mid Durham are well connected, transport connectivity in the rural parts of West Durham remains an area of concern. Given that County Durham is primarily a rural county it is important to address connectivity issues ensuring communities can access education and employment opportunities. Poor connectivity can also impact upon its attractiveness as a business location and place to invest.

Digital Connectivity

- 8.10 Good broadband coverage is an increasingly important economic asset, enabling businesses and residents to connect to the information economy, work remotely and benefit from electronic commerce and new ways of working. As of January 2021, superfast broadband (over 30Mbps) coverage is approaching 100% of premises (96.5%) in the county, marginally below the UK average (96.6%). However only 27.3% of premises have ultrafast broadband speed over 100Mbps, compared to 64.63% across the UK as a whole (<https://labs.thinkbroadband.com/local/councils>).

- 8.11 Within rural parts of the county a lack of reliable broadband connection remains a key issue that acts as a constraint to the economy in these areas.
- 8.12 The COVID-19 pandemic and lockdown measures has significantly increased the importance of digital connectivity, with a drastic move to home working across many parts of the economy. 5G is now available in some parts of the county, around Durham City and the A19 corridor, although coverage lags behind Newcastle and parts of the Tees Valley.

Labour Mobility

- 8.13 Data from the 2011 Census show that 127,525 people (66%) of County Durham residents remained in the county for work while 65,161 residents (34%) worked elsewhere. The County Durham labour market is closely connected to the surrounding areas in the North East, with the majority of those commuting in and out of neighbouring local authorities. There were relatively insignificant amounts of commuter travel along the west boundary of the county, particularly towards Cumbria and south into Richmondshire, corresponding with the concentration of population in the east of the county.
- 8.14 Around nine in 10 of those commuting out of County Durham are going elsewhere in the North East (89%). The majority of those commuting out of the area work in neighbouring Sunderland and Gateshead, which accounts for 40% of those working outside of County Durham. The next most common workplace destinations for County Durham's residents were Newcastle and Darlington, each accounting for 13% of commuters.
- 8.15 In 2011, 35,193 people commuted into County Durham for work. Residents in the neighbouring local authority of Sunderland accounted for the largest number of those commuting into the county (27%), followed by Darlington and Gateshead who together with Sunderland accounted for over half of all in-commuters.
- 8.16 In 2011, County Durham was a net exporter of labour with a net outflow of almost 30,000. In 2017, data from Oxford Economics suggests this figure has risen to over 40,000. Out-commuting can be advantageous to support the economic success of the borough's residents by offering the required scale and breadth of opportunities that contribute to the county's higher residence-based than workplace-based earnings.
- 8.17 The net out-migration to work emphasises the importance of connections to other local authority areas to ensure residents have access to both the scale and variety of employment opportunities they require and demonstrates the quality and employability of the resident labour force.
- 8.18 However, it does suggest County Durham is not as successful at being an attractive place to work as it is to live, with insufficient employment options available to retain its residents and/or attract those from outside, meaning there could be untapped potential for local labour to be utilised in higher wage and more productive uses if the opportunities were available in the county.

Employment Assets

- 8.19 Durham City is a key employment centre, with the largest office market, home to significant public sector occupiers, including the County Council, Passport Office, Land Registry, Northumbrian Water, Durham and Darlington Primary Care Trust (PCT) and Durham University as well as attracting private sector occupiers such as Atom Bank. However, the City is constrained by a lack of available sites which limits private sector investment.
- 8.20 The North East England Chamber of Commerce identified a lack of high-quality office space in and around Durham City as a constraint to growth in financial and professional services. Significant high quality office development at Aykley Heads, located within close proximity to Durham Train Station, will help to meet this gap and attract inward investment. In addition, Milburngate – the 450,000 square foot mixed use development on the banks of the River Wear – will deliver significant office, leisure and retail space as well as new apartments.
- 8.21 The A1 Corridor (including sites around Durham City) is the county's principal industrial location. It has a number of major employment locations including:
- Aycliffe Industrial Estate, Newton Aycliffe – A 400-acre industrial estate in the south of County Durham located close to the A1 with over 500 businesses and 10,000 employees, home to Hitachi Rail, Gestamp Tallent, 3M, Inovyn, Husqvarna among others. The arrival of Hitachi Rail has supported large scale job creation and helps to position Durham as a key location for inward investment in advanced manufacturing. There is potential for further expansion of the Estate.
 - NETPark, Sedgefield – in South East Durham is one of the UK's premier science, engineering and

technology parks, home to several high-tech companies specialising in fields such as nanotechnology, X-Ray technology, forensics and semiconductor technology. NETPark has strong links with Durham University, with NETpark research institute housing part of the University's Centre for Advanced Instrumentation. It is also home to two National Catapult Centres – The High Value Manufacturing Catapult, managed by CPI, and the North East Centre of Excellence for Satellite Applications, and three national innovation centres including National Formulations Centre, National Centre for Healthcare Photonics and National Centre for Printable Electronics. Plans for Phase Three will deliver a 26-acre expansion, supporting grow-on businesses wanting to expand and scale-up, and attracting further inward investment.

- 8.22 Other key employment sites on the A1 corridor include the Drum Industrial Estate, although the availability of land is very limited and Belmont Industrial Estate.
- 8.23 Within the A1 corridor, Phase 1 of Integra 61, Bowburn, has recently been completed. The £300m mixed use employment development will provide a total of three million square foot of industrial and logistics space, 300 new homes and 50,000 square foot of roadside opportunities, including a family pub/restaurant, hotel, drive-thrus, trade counter units, car showrooms, a care home and a nursery. Amazon has located its second robotics fulfilment centre in the North East at the site, one of the largest distribution centres in the UK, creating around 1,000 jobs.
- 8.24 The A19 Corridor in the east of the county is also a key employment location. The A19 Corridor has experienced strong levels of development, as a result of its Enterprise Zone Status, however it is noted within the Employment Land Review that this has led to an oversupply of larger office space with limited demand in part due to lack of public transport hubs.
- 8.25 The A19 historically has been a key industrial location with estates such as Peterlee North West and South West. Peterlee is home to a number of major national and international manufacturers, including Caterpillar and TRW.
- 8.26 The JADE Business Park, Seaham, is located within a designated Enterprise Zone. Phase 1 has delivered 155,000 square foot for distribution, technology and advanced manufacturing businesses. The Business Park is strategically located for businesses involved in the automotive construction supply chain, falling within the catchment area for Nissan supply chain companies. Phase 2 has the capacity to deliver a further 400,000 square foot.
- 8.27 Bishop Auckland and surrounding areas, in the south of the county to the west of the A1, has a more localised employment market, offering typically lower cost and lower quality office and industrial premises than found in Durham City and the A1 corridor. Bishop Auckland Town Centre is a key retail centre in the South and South Church Enterprise Park offers industrial space.
- 8.28 Consett and Stanley in the north of the county serve a more localised, self-contained market. Lack of connectivity to the strategic road network is often seen as a key barrier to locating in the area by larger prospective occupiers.
- 8.29 Barnard Castle is the main employment and service centre for the rural western area of the county. Harmire Enterprise Park and Stainton Grove are the two key employment locations. Barnard Castle contains a major industrial facility operated by GSK which has seen significant investment.
- 8.30 The Lichfield's Employment Land Review (2018) indicated that a large proportion of industrial space is no longer fit for purpose, contributing to high vacancy rates in certain size bandings including in locations such as Consett, Peterlee and Newton Aycliffe.

Summary

- 8.31 Transport and connectivity is linked to increased productivity and inward investment. The economy benefits from good connectivity within the county via the road, rail and bus networks as well as being well-connected to elsewhere in the North East and further afield, with three airports within one hour drive and easy access to ports on the North East Coast including Teesport and Port of Tyne. The potential for the Tyne and Wear Metro to reach County Durham would further strengthen the public transport links.
- 8.32 County Durham benefits from a good strategic road network, which has supported corridors of growth along the A1 and A19, establishing them as key employment locations, helping to attract inward investment targeted at advanced manufacturing, logistics and distribution.

- 8.33 There is a need to continue to invest in transport infrastructure and developing robust business cases for agreed transport priorities should be a priority, along with more local improvements to take advantage of new funding.
- 8.34 Digital connectivity is increasingly important to the economy, while almost 100% of premises have access to superfast broadband (over 30Mbps) coverage, only 27.3% of premises have ultrafast broadband speed over 100Mbps. Improving broadband connections in rural areas can open up new opportunities for businesses and residents.
- 8.35 The key employment sites are concentrated within:
- Durham City – the key office market
 - A1 Corridor – the key industrial location
 - A19 Corridor – secondary industrial and office location
- 8.36 In addition, there are concentrations of employment in more localised markets around Bishop Auckland and Consett and Stanley. Barnard Castle, in the rural west of the county, also contains some large employment sites and employers including GSK.
- 8.37 Employment space in County Durham is dominated by industrial uses, accounting for 89% of all commercial floorspace, indicative of the large manufacturing base. The 2018 Employment Land Review suggests industrial space in some locations is no longer fit for purpose, contributing to high vacancy rates. Consideration should be given to strengthening two major locations for advanced manufacturing and logistics/distribution as part of a strategy to attract large scale inward investment.
- 8.38 While office space is underrepresented in Durham, within the North East it is the second biggest market for office space after Newcastle with Durham City being the key office location. However, there is an identified lack of quality office space in Durham City which acts as a constraint to the growth of finance and professional services, which are underrepresented in the county's economy. Development at Aykley Heads and Milburngate will help to meet this gap in the market. In contrast, there is a reported oversupply of office space in the east of the county leading to high vacancy rates.
- 8.39 There is a need to modernise a large part of the business stock, in terms of both industrial and office space, to ensure County Durham can continue to support its small and medium sized businesses to grow and attract inward investment.

9 The Impact of COVID-19 and Brexit

Introduction

- 9.1 County Durham and the UK as a whole are facing two key challenges – the COVID-19 pandemic and the UK's departure from the European Union. The dual effects of COVID-19 and Brexit are likely to continue to have a significant impact upon County Durham's economy in the short and medium run and is likely to result in an immediate increase in unemployment and more challenging conditions for many businesses in both the service and industrial economy.
- 9.2 Sectors most exposed to the impacts of COVID-19 are not the sectors most at risk to Brexit, although the at-risk Brexit sectors are the high value added parts of the County Durham and include a number of major employers. The at-risk COVID-19 sectors are dependent on a robust rebound when lockdown restrictions end and are pre-dominantly enterprises that have been unable to trade over a 12 month period.

Brexit at risk sectors (*LQ 1 or above in County Durham)

- Life Sciences*
- High Value Manufacturing*
- Chemicals*
- Logistics
- Food and Drink
- Agriculture and Aquaculture*
- Creative Industries
- Financial and Business Services

Most affected COVID-19 sectors (*LQ 1 or above in County Durham)

- Accommodation and food services
- Arts, Culture and Recreation
- Construction
- Education*
- Transport and Storage
- Retail and wholesale
- Other Services

COVID-19

- 9.3 The COVID-19 pandemic has caused a traumatic shock to the whole economy, with the impacts likely to continue to be borne out deepening many of the socio-economic challenges already being faced. Although various protection measures and home working have reduced the immediate impact on many sectors, there have been profound impacts on some sections of the economy.

North East Impacts

- 9.4 In May 2020 Institute of Chartered Accountants in England and Wales (ICAEW) published the expected regional COVID-19 impacts produced by Oxford Economics. The research suggested in terms of both output and employment, the North East is likely to be worse hit than the UK average in 2020 and recovery in 2021 may be slower than elsewhere.
- 9.5 The research suggests in the North East, the largest job losses will have been in accommodation and food services (circa -12,000) followed by manufacturing (circa -9,000) and wholesale and retail trade (circa -8,000).
- 9.6 The research highlighted the region is more exposed to the impacts of COVID-19 in regards to poorer internet connectivity and the sectoral structure meaning that fewer people are able to work at home. In addition, the North East is more vulnerable due to exposure to impacts on trade and the proportion of the population over 65.

Oxford Economics Structural Vulnerability Scorecard North East, May 2020

	UK=0*
Trade	1.1
Population +65	0.5
Hospitality	-0.2
Retail	-0.6
Manufacturing	1.2
Self-employed	-1.3
Work from Home	1.6
Small firms	-2.3
Internet	2.2
Hospital beds	-1.8
Population Density	0.0
*Greater than 0 indicates it is more exposed than the UK average Source: Oxford Economics ICAEW, May 2020 Economic Outlook	

Redundancies and Unemployment

- 9.7 The number of people claiming JSA and UC in County Durham was 20,185 in December, an increase of 7,420 compared to the year before. The number of claimants rose by 67% between March 2020 and May 2020 and has remained high, in an area that already reported unemployment levels above the national average. In terms of age groups, there has been the largest growth in claimants aged over 50. There has also been a sharp rise in unemployment amongst young people, who typically have a high representation in sectors such as hospitality and leisure, as well as more young people becoming economically inactive.
- 9.8 Data collected by Business Durham suggests there have been around 1,000 redundancies across the county since the onset of the pandemic.
- 9.9 The latest CJRS Statistics (December 2020, reporting figures as of 31st October) show there were 12,500 furloughed in County Durham, equal to 7% of employment in the county, down from 32,400 furloughed in July 2020 (17% of the employment base). The government have announced an extension of the furlough or CJRS until the end of March 2021, however concerns remain that as support comes to an end, redundancy and unemployment levels will start to rise.
- 9.10 The impact of COVID-19 has hit the self-employed particularly hard. The latest figures for the SEISS to the 31st October 2020 show there were a total of 13,200 claims made in County Durham, 20% of the North East total, equating to £30.6 million being claimed.
- 9.11 Unemployment is likely to increase further in the summer/autumn of 2021 as the furlough support ends and many businesses re-open with fewer staff.

Sector Analysis

- 9.12 Data from the APS suggests 76,000 people (33.1% of working population) in County Durham are in key worker occupations.
- 9.13 The tourism, hospitality and culture sectors have been severely impacted by the national lockdowns, social distancing measures and travel restrictions. County Durham has a lower share of employment within accommodation and food sector and the arts, entertainment and recreation sector than nationally, although there are 1,560 businesses and almost 18,000 jobs which are likely to have been impacted. While these

sectors are forecast to rebound strongly in 2022, and possibly the second half of 2021, with tourism expected to support economic recovery, there will be significant job losses and company closures in the short term. Recently, a UK Hospitality survey reported that 41% of businesses surveyed suggested that their business would fail by mid-2021.

- 9.14 Manufacturing has not been hit as hard as other sectors. Business Durham intelligence suggests the majority of manufacturers were operating at near normal capacity as of November 2020.
- 9.15 While financial, professional services and digital businesses, have largely been able to transition to home working, it is expected there will be hidden job losses in certain business and professional services and digital and creative sectors, unseen to date.

Schools

- 9.16 There is a significant challenge facing all the school age population as a result of the pandemic and the educational loss from the unprecedented disruption to school education. DfE research has shown that poor educational performance impacts directly on lifetime earnings and the pandemic risks damaging a generation of young people.
- 9.17 Without intervention, long term educational and employment inequalities are likely to be exacerbated by school disruption and as work placement opportunities fall. Resources are likely to be made available to allow pupils to catch up and a significant proportion of these need to be targeted on the most disadvantaged pupils from low income households, who are likely to have fallen further behind. The disruption to schools and the educational consequences are likely to take several years to address.
- 9.18 There is an immediate need to provide training and job search support to respond to the considerable job losses arising from the pandemic as well as the reduced opportunities from companies and organisations changing or postponing recruitment plans. The scale of the challenge will fully emerge throughout 2021 as Government job support measures end.

Interventions

- 9.19 Supporting existing businesses is key to ensuring County Durham makes a strong recovery. The Government have delivered a range of schemes aimed at supporting businesses. In addition, Durham County Council has distributed over £104 million in grant to over 9,500 beneficiaries to support business resilience in the face of unprecedented challenges. There is also The Durham Business Recovery Grant, a £5 million fund, designed to help County Durham businesses to recover from the effects of COVID-19.
- 9.20 While there is likely to be a strong bounce back, from a lower base, as restrictions are lifted, many hospitality and leisure related business may not reopen, while others may continue but with fewer staff. There is likely to be an increase in new starts and re-configured businesses. A number of centres will see increased vacancy rates and there are long term implications for commercial landlords and a number of high streets.
- 9.21 The loss of typical annual recruitment will affect young people and 2021 is a very poor time to enter the labour market. Many young people would benefit from remaining in training and education to improve their skills and qualifications and look for better opportunities in 2022 and 2023.
- 9.22 While support for those seeking employment and businesses is likely, directed through national programmes, it will be important that County Durham businesses and training organisations access these funds, with a need to focus training on the future skills needed.

Brexit

- 9.23 While the UK left the EU on 31st December 2020, the full consequences of Brexit are likely to take a number of years to be fully felt, with uncertainty around the nature of future trade deals. The implications of leaving the EU depends on various factors including: trade and migration policy including access to the European market; the risk of complex customs processes; the possibility of tariffs on European trade; and gaps in skills availability.
- 9.24 As the UK formally left the EU in the midst of a global pandemic, it is likely that it will be some time before the full impacts of Brexit are visible. A recent forecast suggested that Brexit will reduce growth in the economy by 1%-2% in 2022.

Business Impacts

- 9.25 Those businesses reliant on importing and exporting – who benefitted from free and frictionless trade with the EU – will be significantly impacted by Brexit. There is likely to be a reduction in exporting activity relative to the current position before leaving the EU as a result of the potential tariff and non-tariff barriers.
- 9.26 The early signs are that many businesses and agents have been prepared for the increased time and costs of importing and exporting, although the added delay to the process has considerably increased the friction for a number of sectors. The new arrangements are a disincentive for both exporters and importers and have provided an incentive for EU companies to look for other EU based suppliers.
- 9.27 In addition, there is also likely to be a reduction in the attractiveness of County Durham and the North East as a place to invest and re-invest relative to other cities and regions in the EU. The UK's previous promotion of the UK as a base for European markets no longer applies.
- 9.28 There is no experience (yet) of the benefits of any new trading arrangements with other countries and trading blocs.

Workforce and Skills

- 9.29 Every sector of the UK economy recruits higher skill personnel from the EU. This reflects skills shortages and the free movement of labour, with the UK an attractive destination with an excellent quality of life.
- 9.30 Arrangements have been put in place to allow EU residents in the UK to continue to work in the UK and to introduce new entry requirements for higher skilled workers globally to come to the UK. These new arrangements are not on a par with the former rights of EU citizens.
- 9.31 The UK is now likely to be a less attractive destination for many EU citizens and this could impact on both manufacturing and the health services, where highly skilled personnel have previously been recruited from the EU in substantial numbers.
- 9.32 The consequences for lower skilled and paid occupations which depend on economic migration, such as health and care and parts of food production and processing, are likely to be more severe and could result in a shortage of labour.
- 9.33 While the hospitality sector also depends on regular lower paid recruitment internationally, the job losses from the pandemic are likely to lead to a large group of people seeking new employment as the recovery builds momentum.

Sectoral Impact

- 9.34 The industrial sector (excluding extraction) is the most exposed to Brexit, with manufacturing and construction likely to have the largest losses according to research by Oxford Economics.
- 9.35 Services such as finance and communications are also amongst the most exposed sectors to Brexit, due to a potential reduced ability to recruit EU higher skilled professionals and potential for post transition agreements to restrict UK access to European finance markets. These sectors however account for a much smaller share of County Durham's economy than across the country, together accounting for 2% of total employment compared to 8% nationally, leaving it less exposed to the adverse impacts.

Manufacturing

- 9.36 Manufacturing is at risk due to tariff and non-tariff barriers and integrated supply chains with the EU, with some manufactures relying on 'just-in-time' delivery of parts or inputs, who may be experiencing disruptions in their supply chains caused by increased or uncertain processing times for goods at the border. Manufacturing is one of the largest sectors in County Durham with 25,000 jobs accounting for 14% of total employment.
- 9.37 The sub-sectors manufacture of automotive, transport equipment, chemicals and chemical products and textiles, in particular, are expected to be impacted the most. These together account for over a third of County Durham's manufacturing sector, compared to 26% across the country, and 4.8% of total employment compared to 2% nationally.

Brexit: Most at Risk Manufacturing Sub-sectors, 2019

	County Durham		North East	England
	No.	LQ	No.	No.
Manufacture of textiles	400	1.1	1,125	53,000
Manufacture of chemicals and chemical products	800	1.5	7,500	81,000
Manufacture of machinery and equipment n.e.c.	4,000	3.8	11,500	158,000
Manufacture of motor vehicles, trailers and semi-trailers	2,000	2.1	15,000	144,500
Manufacture of other transport equipment	1,500	1.9	2,750	116,500
Total sub-sectors	8,700	2.3	37,875	553,000
<i>% in total manufacturing</i>	34.1%		34.7%	26.2%
<i>% in total employment</i>	4.8%		3.4%	2.0%

Source: BRES, 2019

Health and Social Care

9.38 There are three major risks to the health sector arising from Brexit and the consequences may have the greatest impact on the care sector. These are:

- Reduced ability to recruit EU higher skilled medical professionals. Although arrangements are in place to allow the economy to recruit higher skilled workers, the UK may now be less attractive to EU citizens.
- Reduced ability to recruit lower and medium skilled health workers, including care staff. There is likely to be a reduction in workers who qualify for entry to the UK, impacted by lower skills and wages, below the threshold. This has a potential impact on the cost of providing care, in the context of challenging Local Authority and NHS budgets.
- Delays at ports and limited warehousing facilities for medicines and health supplies may disrupt service and lead to higher costs.

Summary

9.39 Over the 2020-25 period, economic growth in the North East is expected to be the weakest of any region, while unemployment at the end of the period could be the highest of any region (Oxford Economics ICAEW May 2020 Economic Outlook). Regional disparities therefore may grow over the next four years, highlighting the importance of prioritising the 'levelling up' agenda.

9.40 This outcome is not inevitable and could be mitigated by early actions and new private and public sector investment, including new investment from the Shared Prosperity and LUFs.

9.41 The major challenges are:

- Increased unemployment, particularly for young people, and fewer job opportunities as companies adopt a cautious approach to new recruitment.
- The educational damage to a generation of school students and the challenge of making up lost ground, particularly for pupils from low income households.
- The medium-term effect of Brexit on the county's large manufacturing sector, including recruitment difficulties and increased friction for companies importing and exporting.
- The challenge to the NHS and care sector with regards to international recruitment (a key element in the workforce strategy) at a time when the sector is under intense pressure.

9.42 These challenges are compounded by uncertainty of when travel and social distancing measures will end and the likelihood that new post Brexit market opportunities may take several years to emerge.

10 Future Economic Growth

Introduction

10.1 The future economic outlook for County Durham is considered in this chapter, using published data to inform forecasts.

Economic Output

- 10.2 Forecast GVA growth for County Durham has been assumed to follow regional levels, as it did historically between 2006 and 2018.
- 10.3 Forecasts have been informed by Oxford Economics national and regional forecasts published in a House of Commons Briefing Paper in December 2020, which suggest:
- GVA would decline by 11.4% in 2020 across the country, and fall by 12.2% in the North East; and
 - between 2019 and 2030 the average compound annual growth rate (CAGR) will be 1.1% nationally and 0.6% in the North East (House of Commons Briefing Paper: Regional and Country Economic Indicators, December 2020, Oxford Economics).
- 10.4 National GVA forecasts for 2021 have been informed by the *HM Treasury Forecasts for the UK economy: a comparison of independent forecasts* published in January 2021 which reviews 20 new forecasts from a range of sources. This suggests GDP growth of 4.4% in the UK in 2021. A Monetary Policy Report by the Bank of England published in November 2020 has been used to inform national GVA forecasts for 2022 and 2023.
- 10.5 Where regional forecasts have not been available for the years 2021, 2022 and 2023, 86% of national annual growth rate has been applied following the CAGR trend in the North East compared to England between 2000 and 2018.
- 10.6 Between 2024 and 2030, an average growth rate has been applied so that between 2019 and 2030 the CAGR is in line with Oxford Economics forecasts for the North East and nationally for that period (CAGR of 0.6% and 1.1% respectively) (Ibid).
- 10.7 Using these forecasts suggests the levels of GVA in the North East and County Durham will not recover to pre-COVID-19 levels until 2027, while the country as whole will make a faster recovery with GVA above 2019 levels by 2025.

GVA per Capita

- 10.8 If GVA in County Durham had grown at the national rate since 2010 and continues to grow at this level in the future, GVA per capita would be at the regional level by 2030. Although the gap between the national GVA per head would still be greater than it was in 2010, suggesting a greater up-lift in GVA is needed to move toward this level.

Summary

- 10.9 The economic forecasts are likely to be revised as the national lockdown ends and the speed of economic recovery becomes clearer. The forecasts are typical in that the North East and County Durham lag behind the national recovery, although such an outcome is not inevitable. In particular, the success of the county in securing new inward investment and supporting businesses to recover and grow will have a major impact on the recovery trajectory for County Durham.

11 Recommendations and Investment Priorities

Rebuilding a Powerful Economy

- 11.1 County Durham faced the challenge of rebuilding its economy after many years of job losses in coal mining and steel making. The scale of job losses, taking out full time and well-paid employment, affected every community. Since 2000, County Durham has rebuilt and transformed its economy, and the resilience of its manufacturing base has ensured that it continues as an important industrial economy, even as it builds a strong service base.
- 11.2 While the scale of unemployment is well below the peak numbers seen in earlier decades and the employment rate has been increasing, many communities continue to be affected by low household incomes and health inequalities.
- 11.3 The successes of the past 5 years, including the arrival of new inward investors such as Hitachi Rail and Amazon, are now being affected by two new challenges - the COVID-19 pandemic and the UK's departure from the European Union.
- 11.4 The full effect of both factors is likely to result in an immediate increase in unemployment and more challenging conditions for many businesses in both the service and industrial economy.
- 11.5 The immediate challenges are compounded by the long term (20 year) population forecasts, which suggest that County Durham will experience a fall of some 7,000 people in its working age population and an increase of 35,000 in its older population. The outcome of this demographic change will lead to a reduction in local spending power, further undermining the viability of local centres across the county. This is in addition to the challenges for the health and care sector to provide support for a much larger elderly population.
- 11.6 Many of the successful changes to the economy in the past 20 years were shaped by important investment in infrastructure, industrial and commercial property, business support, skills training and inward investment sponsored by the County Council and supported by a range of regional and national funds. This scale of investment is now required over the next ten years to help the county respond to both the immediate and medium-term challenges and restore the economic momentum which resulted in new investment and employment.

Developing the Pipeline for New Investment

- 11.7 Durham is part of the North East Combined Authority (NECA), along with Gateshead Metropolitan Borough Council (MBC), South Tyneside MBC and Sunderland City. NECA does not yet have access to devolved powers and funding, unlike the North of Tyne Combined Authority area and Tees Valley Combined Authority. Since 2015 the Council has been involved in discussions about the possibility of a North East devolution deal that would provide a long-term investment fund and devolve powers to help drive economic growth in the region.
- 11.8 The North East Local Authority 7 have put proposals to Government to provide significant additional resources to support the economic recovery over the next five years. These proposals are in addition to the support provided by a number of new funds.
- 11.9 The selection of suitable projects will be influenced by the final guidance for new funds and it is important that the county is prepared to act quickly, working with local partners, with processes to ensure only high-quality prioritised propositions are put forward. In anticipation of future opportunities officers are developing a pipeline of projects that fit within a long-term economic strategy and would benefit for support from regional and national opportunities including devolution, LUF and the shared prosperity fund.
- 11.10 The potential new funds include:
 - Devolution
 - Regional COVID-19 Recovery Asks
 - Shared Prosperity Fund
 - LUF
 - Community Renewal Fund

- 11.11 In addition the Government's recently published *Build Back Better: our plan for growth* sets out plans for high quality infrastructure linked to productivity growth; technical and basic adult skills priorities; and maximising innovation linked to transforming ideas into new products and services, all of which are relevant to opportunities for the county. In addition, some of the Grand Challenges set out in the UK Industrial Strategy, notably ageing society and clean growth, are directly relevant to the county.
- 11.12 External funders are increasingly using the 5 stage Business Case model outlined in the UK Treasury's Green Book. A recent review has concluded that the major weakness in project submissions has been underdeveloped strategic cases, the first stage of the Business Case. The accompanying refresh of the Green Book introduced a place dimension, while reinforcing a Benefit to Cost Ratio metric to determine value for money. The calculation of benefits has become very technical and many projects struggle to justify a good BCR score.
- 11.13 The county council would benefit considerably from investing time in staff training and identifying a member of staff to act as a Green Book expert and support other organisations.
- 11.14 The workload of the county council's Economic Development function is likely to increase markedly through 2021 and 2022. Dealing with the consequences of the pandemic and the unfolding outcome of Brexit will be accompanied by the introduction of major new funds, with a Government preference for competitive bidding and an onerous business case and appraisal process.
- 11.15 The county has the opportunity to secure significant new investment although considerable staff resources are needed to submit convincing proposals, respond to external appraisers and subsequently agree contract conditions.

The Twin Challenge: Productivity and Jobs

- 11.16 One of the challenges facing County Durham is the level of productivity of the workforce, with productivity the key determinant of wages and, ultimately, household incomes.
- 11.17 The key measures of productivity suggest County Durham underperforms compared to the national average. GVA per hour worked is 84% of the England average while GVA per job is 81% of the England average and GVA per FTE is 82% of the England average.
- 11.18 There are four criteria which influence productivity:
- The skills and health of the workforce;
 - The capital investment and technology which support business and workforce activity;
 - The products and services which the workforce provide; and
 - The market for goods and services provided – local, regional, national and international.
- 11.19 While companies such as Hitachi Rail and GSK demonstrate that County Durham can provide a productive workforce to match the best in the country, there are too few companies using the latest technologies and producing high value products in national and international markets.
- 11.20 While inward investment could help boost productivity, and increase the proportion of jobs in high productivity sectors, there is a need to work across all sectors – industrial and services – to help County Durham out-produce their competitors and increase efficiency to maintain competitiveness.
- 11.21 At the same time as improving the competitiveness and productivity of the current business base and workforce, a significant number of jobs will be impacted by robotics, automation and digitisation, making a number of intermediate skilled jobs redundant. Providing new employment at the intermediate skills levels, in sectors such as distribution and logistics will be important in maintaining employment levels, a challenge now exacerbated by the pandemic.
- 11.22 An underlying factor for the County Durham economy is the need to strengthen the private sector. The county has a large public sector employment base, although this primarily reflects the large population. It has, however, too small a private sector, partly a legacy of an industrial economy that was driven by nationalised industries, rather than the private sector.
- 11.23 In order to provide replacement jobs for a changing economy, maintain current employment rates and increase productivity and household incomes, County Durham needs to focus on its strengths, assets and growth sectors, with the potential to deliver more and better jobs.

11.24 These are:

- Advanced Manufacturing and Engineering
- Logistics and Distribution
- Digital Industries and Business Services
- Tourism
- Health Economy

11.25 These sectors can deliver the range of occupations needed to provide opportunities for all parts of the workforce.

Advanced Manufacturing and Engineering

- 11.26 The Durham economy has a large manufacturing sector and a number of major world leading companies established in the county. There is a diverse range of sectors including a number where there is both a strong presence and growth potential.
- 11.27 While some companies will increase their competitiveness through digitisation, robotics and automation, reducing the workforce, there is the opportunity to offset these losses through some of the strongest sub-sectors most able to take up new opportunities in growth markets in the green economy, clean energy and long term activities to reach zero carbon and meet climate change objectives.
- 11.28 In addition, the county remains a competitive location for inward investment, and the prospects for securing new industrial investment and significant numbers of new jobs are very positive. The county offers a range of locations that are attractive to industrial companies, including small and medium sized companies requiring affordable premises. There is an opportunity to develop a major, regionally significant and high-quality industrial park to successfully compete for the major inward investment opportunities.
- 11.29 While the pandemic has had a limited effect on the advanced manufacturing sector, Brexit is likely to impact on those companies which are part of European supply chains and the recruitment of high skilled international migrants. Conversely, over the next five years, new trading arrangements could result in new opportunities. However, the most recent forecasts suggest that leaving the EU will result in a 1%-2% reduction in the national economy.

Logistics and Distribution

- 11.30 County Durham is a competitive location for logistics and distribution. There are now 8,500 jobs in the transportation and storage sector, an increase of 1,500 since 2015. The growth reflects a range of factors which have transformed the logistics sector, including the distribution of imports and home deliveries from the major supermarkets and the likes of Amazon. The increase in internet shopping and commitments to timely home deliveries has increased the regional super hubs for the leading companies. While many logistics related jobs are at the intermediate skills level, a significant proportion are technical jobs, and supervisory and managerial roles.
- 11.31 County Durham benefits from its strategic road network and its location between north and south, as well as providing easy access to the North East and Tees Valley ports and markets.
- 11.32 As with the industrial premises offer, the county offers a range of locations, attractive to small and medium sized distribution and transport companies requiring affordable premises. There is also an opportunity to develop a major, regionally significant and high quality logistics park, offering regionally significant capacity to accommodate a number of company super hubs at the top of the supply chain, to successfully compete for the major logistics investment opportunities.

Digital Industries and Business Services

- 11.33 Digital industries and business services have been major drivers of employment growth in the UK for many years. The county has benefitted from increases in employment, although these sectors favour major urban locations such as Leeds, Manchester and Birmingham.
- 11.34 The move towards digital applications is driving growth in every sector of the economy, including manufacturing, retail, logistics, professional services and health. The pandemic has further highlighted the importance of the digital economy.

- 11.35 The GVA per FTE figures for ICT in County Durham is very low which suggests that the area does not have sufficient numbers in higher value added sub-sectors.
- 11.36 From a County Durham perspective, embedding digital skills in the education and training system is an important priority for making the future workforce employment ready. There is a further opportunity to prioritise support for new and micro digital businesses to take advantage of the range of product and market opportunities.
- 11.37 Major cities have benefitted from a combination of apartment living for younger workers, the attraction of an urban lifestyle, and a supporting eco-system to drive new opportunities. There is an opportunity to review the current City of Durham offer and identify new proposals which could provide a competitive alternative to the large cities, particularly as households re-evaluate their housing and location priorities as a result of the pandemic.

Tourism and Leisure

- 11.38 County Durham has a growing tourism and leisure sector based on major heritage assets and an outstanding natural environment. The City of Durham with its world-renowned Cathedral is a must visit centre along with York and Edinburgh, while new investment in Bishop Auckland has further strengthened the historical tourism offer.
- 11.39 The sector has been badly affected by the pandemic, with bars, cafés and restaurants forced to close for long periods and accommodation providers severely affected by travel restrictions. While the sector is forecast to rebound strongly in 2022, and possibly the second half of 2021, there will be significant job losses and company closures in the short term.
- 11.40 In the medium term, further growth in tourism and leisure will be based on quality, with further investment in accommodation, restaurants and cafés likely needed to support increased visitor numbers and expenditure. There is an opportunity for towns such as Barnard Castle and Bishop Auckland to increase visitor numbers.
- 11.41 Further investment in culture and heritage assets and the natural environment should be a priority for further strengthening the county's offer for extended breaks to maximise leisure expenditure. Consideration should be given to developing a pipeline of proposals for cultural and natural environment projects.

Health and Care Economy

- 11.42 The health economy provides a substantial employment base in the county and with an increasing number of elderly residents, health and care will continue to play an important role in both local economic potential and community health and wellbeing.
- 11.43 The NHS continues to face recruitment challenges for many occupations and the care sector also struggles to recruit personnel. Brexit is expected to make the UK less attractive as a place to work for skilled international labour and there is both a need and opportunity to increase local recruitment at both intermediate and higher skilled occupations.
- 11.44 As the integration of health and care services accelerates, new job opportunities will open, and the combined workforce will face both recruitment and staff retention issues.
- 11.45 The impact of health inequalities in terms of both communities and workforce productivity is now a national policy priority and increasing funds are being channelled towards health innovation in areas such as diagnostics, med tech, digital health applications and mental health. These new approaches are in addition to public health initiatives in areas such as smoking cessation and healthy eating in response to obesity.
- 11.46 COVID-19 has led to a number of new challenges, notably a need to address mental health issues amongst young people, including school students and within the wider workforce, with many employers now focused on the wellbeing of their workforce.
- 11.47 The county should develop its role in the health supply chain, considering the potential for a health campus and the further development of technical equipment and digital opportunities to benefit existing County Durham companies and support new inward investment opportunities.
- 11.48 There would be merit in the county developing a strategic economic framework for the health and care economy focused on workforce needs and development, linking opportunities to young people in schools and colleges, business start-up and supply chain opportunities and developing the anchor institution's role.

Start Ups

- 11.49 County Durham has a consistently good track record in generating new business starts each year. While inevitably many of these will not survive the opening years, others will go on to provide jobs for some time, with a small number growing quickly and employing 20-30 people.
- 11.50 The need to provide more jobs in the economy means that new starts have an important role to play over the next ten years, with a combination of one and two person businesses and increasing numbers in digital and leisure adding directly to the business base.
- 11.51 In the light of the economic impact of the pandemic, there is likely to be an increase in new starts in 2021 and 2022 as individuals seek new routes to employment or re-launch businesses closed by the national lockdowns.

Place, Investment and Employment

- 11.52 Connectivity is central to the economic competitiveness of the county economy and the strong link between transport and improved productivity requires a rolling programme of transport investment.
- 11.53 The North Durham Economic Corridors enhancements on the A693, A691, A167 and A692 corridors is central to facilitating economic growth at key employment and housing sites in the north of the county, as well as improving journey times and reliability towards Durham and Tyneside. Investment in rail lines/stations as well as smaller local transport schemes are needed to open up more opportunities across the geography.
- 11.54 Durham City is a key employment centre, with the largest office market and home to significant public sector occupiers, including the county council, Passport Office, Land Registry, Northumbrian Water, Durham and Darlington PCT and Durham University.
- 11.55 The city is constrained by a lack of available sites which limits private sector commercial investment and limited high-quality office space in and around Durham City is a constraint to growth in business and professional services. The train station is located close to the city centre but the topography provides a poor route to the centre and no commercial development close to the station has been undertaken to provide the offices and hotels which major railway stations typically support.
- 11.56 Although complex, increasing the supply of modern office space close to the station can be an important element of increasing the business service and digital industries business space which is a key feature of strong urban economies. Aykley Heads, a partnership with Durham University linking research and development with the digitally enabled business sector creating more and better jobs in County Durham with fintech specialisms, and Milburngate schemes will help to address this requirement.
- 11.57 The A1 Corridor (including sites around Durham City) is the county's principal industrial location, containing a number of major employment locations including:
- Aycliffe Industrial Estate, Newton Aycliffe – A 400-acre industrial estate in the south of County Durham located close to the A1 with over 500 businesses and 10,000 employees, which is home to Hitachi Rail, Gestamp Tallent, 3M, Inovyn and Husqvarna among others. The arrival of Hitachi Rail has supported large scale job creation and helps to position Durham as a key location for inward investment in advanced manufacturing. There is potential for further expansion of the Estate.
 - NETPark, Sedgefield – In South East Durham is one of the UK's premier science, engineering and technology parks, home to several high-tech companies and home to two National Catapult Centres – The High Value Manufacturing Catapult, managed by CPI, and North East Centre of Excellence for Satellite Applications. NETPark Central is a new proposal for an iconic building at new entrance gateway providing incubation and office space including an amenity hub and to provide physical location for North East Space Hub.
- 11.58 Within the A1 corridor, Phase 1 of Integra 61, Bowburn, has recently been completed. The £300 million mixed use employment development will provide a total of three million square foot of industrial and logistics space, 300 new homes and 50,000 square foot of roadside opportunities, including a family pub/restaurant, hotel, drive-thrus, trade counter units, car showrooms, a care home and a nursery. Amazon has located its second robotics fulfilment centre in the north east at the site, one of the largest distribution centres in the UK, creating around 1,000 jobs.
- 11.59 The A19 Corridor in the east of the county is also a key employment location. The A19 Corridor has experienced significant development over the past two decades, although there now exists an oversupply of larger office space with limited demand, in part due to lack of public transport hubs. The A19 historically has

been a key industrial location with estates such as Peterlee North West and South West. Peterlee is home to several major national and international manufacturers, including Caterpillar and TRW.

- 11.60 The JADE Business Park, Seaham, located within a designated Enterprise Zone. Phase 1, has delivered 155,000 square foot for distribution, technology and advanced manufacturing businesses, and is strategically located for businesses involved in the automotive construction supply chain, sitting within the catchment area for Nissan supply chain companies. Phase 2 has the capacity to deliver a further 400,000 square foot.
- 11.61 While the two Corridors and other towns allow the county to offer a range of locations, attractive to industrial companies, including small and medium sized companies requiring affordable premises, a large proportion of industrial space is no longer fit for purpose, contributing to high vacancy rates in certain size bandings including in locations such as Consett, Peterlee and Newton Aycliffe.
- 11.62 There is the potential for Industrial Property Development Fund to provide gap funding for public and private industrial new build across the county including sites at Drum and Stella Gill (Chester le Street), Jade (Murton), South Church (Bishop Auckland) and Merchant Park (Newton Aycliffe) .
- 11.63 There are also two major opportunities to significantly improve the quality of industrial premises in the county. These involve building on strong locations to develop:
- A major, regionally significant and high-quality industrial park to successfully compete for the major inward investment opportunities.
 - A major, regionally significant and high-quality logistics park, offering regionally significant capacity to accommodate a number of company super hubs at the top of the supply chain, to successfully compete for the major logistic investment opportunities.
- 11.64 It is equally important to continue to modernise both office and industrial space across the county to provide business space which meets the demand of changing work practices in locations where companies are keen to locate, including the many smaller businesses which make a valuable contribution to the county's economy.
- 11.65 County Durham needs to modernise its major business locations to compete successfully with its neighbours in terms of industrial and office space. New investment is needed to deliver more and better jobs, improve productivity and increase its Business Rates income as a means of generating funds for re-investment in economic development across the county.

Rural Communities and Economy

- 11.66 In relation to rural communities, actions centred on new and affordable housing, business and tourism support and town centre renewal need to be underpinned by digital connectivity, working with the private sector to bring cutting edge broadband services to rural parts of the county to enable more people to work and access services from home.
- 11.67 Improved broadband to rural communities will underpin efforts to increase working from home, support new business starts up and help diversify the rural economy. It will also strengthen the visitor and leisure economy. The government has announced the first stages of its plans to get ultra-fast broadband to the majority of homes in the UK and the first to benefit will be homes and businesses in Cambridgeshire, Cornwall, Cumbria, Dorset, Durham, Essex, Northumberland, South Tyneside and Tees Valley. A former voucher scheme is also being relaunched to provide more immediate help to those struggling with poor broadband coverage, with up to £210 million being made available.
- 11.68 Other important considerations for rural communities will be the strengthening public transport services and health as well as other public e-services which will help reduce rural isolation. Further improvements to village and town centres will play an important part in strengthening the vitality of rural centres.

Skills, Learning and Communities

- 11.69 The proportion of the working age population skilled to Level 2 and above in County Durham (75.3%) is above the North East as a whole (73.5%) and marginally below the England wide average (75.7%).
- 11.70 While this is a very positive profile, those outside this group will find it increasingly difficult to find permanent, secure jobs paying above the minimum wage, as the structure of employment and employer demands change.
- 11.71 The county also has a significant proportion of its workforce in occupations at Levels 2/3 across both office

based and industrial sectors, where jobs will be lost due to digitisation and automation. There is likely to be a persistent demand for updating and refreshing skills to support people to move into new employment.

- 11.72 The proportion of the population with a degree or a higher degree (Level 4+) in County Durham is 31.6%, considerably below the national average (40.0%), and marginally below the North East average (31.9%). This proportion is likely to change as new employment opportunities in growth sectors change overall demand. The 2019 Labour Market Information (LMI) toolkit analysis for the North East, reported demand for workers with higher level qualifications (Level 3 and 4) and apprenticeships, while demand for workers with no and lower level qualifications is expected to continue to fall, in line with national trends.
- 11.73 While County Durham is well placed to provide the workforce needed to support its employment ambitions, there are three major skills challenges:
- Improving the proficiency of the least well qualified cohort to increase their employability and work readiness and addressing barriers to moving into employment.
 - Assisting those in vulnerable occupations to update their skills and move into new sectors and occupations.
 - Addressing skills shortages and recruitment challenges in sectors such as manufacturing, construction and health.
- 11.74 The county has a strong training and further education sector and an excellent track record in apprenticeships. It is well placed to address skills challenges, although significant Government support will be required to put in place medium term programmes not dependent on annual or intermittent funding.
- 11.75 There is an immediate need to provide training and job search support to respond to the considerable job losses arising from the pandemic, as well as the reduced opportunities from companies and organisations changing or postponing recruitment plans. The scale of the challenge will fully emerge throughout 2021 as Government job support measures end.
- 11.76 Given the increasing numbers of young unemployed and the likely reduction in employer recruitment there is a need for a range of interventions to support young people gain skills and take opportunities presented by economic growth. Potential projects include establishment of employment/youth hubs in areas of high unemployment, communicating information on support available across the provider base in the county and enhanced marketing and communication of support available through DurhamWorks, DurhamAdvance, L!NKCD (mentoring programme for 18+ County Durham residents with complex barriers into work), National Careers Service and Reaching Out Across Durham (ROAD).
- 11.77 It will be important to increase adult employment support services providing wrap around support and progression opportunities for residents 25+ and, if possible, increasing the adult education budget within a localised commissioning framework to better supporting the training needs of residents.

Schools

- 11.78 The DfE implemented Attainment 8 and Progress 8 measures in 2017, creating a new secondary school accountability system. DfE data reveals County Durham's educational attainment is above the national average.
- 11.79 Ofsted scores for 2019/2020 reveal that most of County Durham's primary schools are either outstanding or good (89%), comparable to 88% nationally, with 10% requiring improvement. A higher share of schools in County Durham are outstanding (22%), than across the region as a whole (16%) or nationally (20%).
- 11.80 Outstanding primary schools and high performing secondary schools are an important feature in persuading families to move into the county, potentially reducing in-commuting and attracting high skilled staff to take up employment opportunities.
- 11.81 Schools in County Durham continue to improve attainment at all levels and provide older pupils with better information, advice and guidance to make the transition to further education or employment. There are three challenges which schools in County Durham now face:
- Ensuring that pupils in receipt of free school meals match the performance of their wider peer group in terms of educational outcomes and progression.
 - Assisting pupils in areas of very high multiple deprivation.
 - Addressing the new challenge facing all the school population because of the pandemic and the educational loss from the unprecedented disruption to school education.

- 11.82 DfE research has shown that poor educational performance directly impacts on lifetime earnings and the pandemic risks damaging a generation of young people.
- 11.83 Resources are likely to be made available to allow pupils to catch up and a significant proportion of these need to be targeted on the most disadvantaged pupils from low income households, who are likely to have fallen further behind.
- 11.84 The disruption to schools and the educational consequences are likely to take several years to address.

Communities and Towns

- 11.85 The IMD is the most commonly used measure of deprivation. IMD covers the following seven domains: income deprivation; employment deprivation; health deprivation and disability; education skills and training deprivation; barriers to housing and services; living environment deprivation; and crime.
- 11.86 In 2019, County Durham ranked 62nd out of the 317 local authorities in England. Lower Super Output Area (LSOA) data shows that 12% of LSOAs are in the 10% most deprived in England, compared to 20.1% across the North East as a whole, while exactly a third of LSOAs are in the most deprived 20% across the country.
- 11.87 There are hotspots of deprivation in the East of Durham and coastal towns of Seaham and Peterlee, Bishop Auckland and Newton Aycliffe in the South, Stanley in the North and parts of Durham City.
- 11.88 While County Durham does not have the scale of deprivation seen in the major cities and conurbations across the country, particularly in the North of England, it does perform relatively poorly in the health deprivation and disability and employment domains – ranked 32nd and 35th most deprived respectively – with around a quarter of LSOAs in the most 10% deprived for both domains.
- 11.89 There is a strong link between health inequalities and high rates of economic inactivity, as well as unemployment and low GVA per head. There is an increased focus on the early identification and better management of cancer, cardiovascular and respiratory conditions and increasing efforts to reduce obesity and diabetes. Other innovations are assisting people to manage conditions more effectively.
- 11.90 It is also important to seek to address wider determinants of health, including income, educational attainment and access to employment, in order to address long standing health inequalities. New approaches need to be supported by continuing investment in long term public health initiatives including healthy eating, active lifestyle and smoking cessation.
- 11.91 While County Durham needs to continue to provide a range of targeted initiatives regarding housing, training and employment, the prioritisation of reducing health inequalities could have a major influence on reducing multiple deprivation in many communities.
- 11.92 Housing development has an important role to play in local regeneration, including the renaissance of smaller towns centres and rural areas. There is a need to deliver more affordable homes, specifically using brownfield land and also including a rural programme and introduce new support to bring forward brownfield sites.
- 11.93 While there is a continuing challenge of regenerating many town centres across the county there is an opportunity to widen local regeneration plans through the more flexible range of complementary initiatives now available through the LUF and the Community Renewal Fund.
- 11.94 Given the importance and scale of the housing challenge a more substantive Strategic Housing Growth is required to take forward the high quality housing within the development of the Durham Economic Growth Corridor.

Maximising Local Opportunities – The Role of Anchor Institutions

- 11.95 The three anchor institutions – Durham County Council, the Durham and Darlington NHS Trust and Durham University – are the three largest employers, each rooted in the county. In addition to the large workforce, each has an extensive supply chain, increasing their economic role in the wider economy.
- 11.96 As well as providing important services to the community, the council and trust are central to community wellbeing, and both have an important role to play in reducing social and health inequalities.
- 11.97 The University – a leading UK centre of excellence in higher education – already supports a number of research and commercial activities which link the county to the UK Industrial Strategy, as well as providing thousands of new graduates and postgraduates each year.

- 11.98 The county council is a very large employer and the provider of a number of key services. Each year it indirectly supports a large number of local companies through its supply chain expenditure. The council is one of the largest Local Authorities in England and although under considerable financial pressure, its work on social value provides a sound platform for further actions to link local businesses and residents to opportunities.
- 11.99 There is an opportunity for the three anchor institutions to collectively review their role in the economy, with the potential to leverage more benefits for residents and businesses, provide supported employment places for residents in areas of high deprivation and provide a new range of actions to support young people.
- 11.100 This review could usefully tap into the university's postgraduate capacity to examine best practice and new initiatives from across the UK to build the evidence base for a new approach.
- 11.101 All three anchor institutions already invest in social value and actively collaborate at a senior and operational level. There is a need and opportunity to move to a new level and present County Durham as an exemplar location in this field.
- 11.102 In addition to developing the role of the major anchor institutions, there are several other public sector organisations with the potential to contribute to social value activities. While many are less resourced, providing support to these organisations to develop local initiatives, possibly in collaboration, would provide additional opportunities.
- 11.103 There is now a growing commitment in the private sector to increase their corporate social responsibility actions, and again this presents another opportunity for the county to increase social value activities.

Delivering New Investment and Jobs

- 11.104 County Durham needs significant external public sector funding to meet its objectives of increasing employment and employability to fully contribute to the National Industrial Strategy and the levelling up agenda set out by Government.
- 11.105 It also needs to ensure that Government funding aimed at reducing unemployment, increasing participation, and tackling poverty are delivered in a way which meet the needs of County Durham residents and communities. This also applies to all Government support being provided to businesses, schools, training institutions and workers to respond to the pandemic.
- 11.106 The current Government approach to economic development and levelling up involves either national competitions (with winners and losers) or a time-consuming process to agree "deals", with final funding uncertain and detailed negotiations to conclude contractual arrangements.
- 11.107 More positively, the recent Green Book Review re-stated the Government commitment to the levelling up agenda and introduced an emphasis on understanding the benefits of investment within a place-based theme.
- 11.108 Considerable resources are needed to fully advance the economic development ambitions of the county. This will involve:
- Working with regional networks and agencies and engaging with Government to influence policy and shape additional delivery plans across a range of departments.
 - Developing credible propositions with other county organisations and agencies and the private sector to produce compelling propositions with regard to residential and commercial development, transport and infrastructure, sectoral and innovation propositions and place based, inclusion and social value initiatives.
 - Developing Green Book compliant business cases in line with the Green Book Review to secure new investment.
- 11.109 While there is uncertainty over how new funds will be made available, the county needs to progress development work in advance of formal funding announcements to allow a pipeline of proposals to be ready.
- 11.110 Specific to the county council, there is an imperative for the county to successfully compete for new external funding over the next five years to meet its economic objectives and this will require both staff and resources to deliver the scale of new investment needed to attract the scale and nature of private sector investment required to create new and better jobs and increase productivity.

Areas for Further Exploration

11.111 There are a number of areas where the county would benefit from new research and exploration. These are:

- New responses to addressing poverty and areas of multiple deprivation
- Local opportunities in the move to clean energy and zero carbon
- New opportunities from changing procurement arrangements
- Business and community led small town centre regeneration

Two Challenging Years

11.112 The next two years are likely to be the most challenging that the economy has faced since the turn of the century. COVID-19 and Brexit are compounding long term trends which are impacting on many sectors.

11.113 Establishing economic momentum will need a range of public and private investment in the early recovery period. The county offers multiple opportunities and these need to be pursued alongside increased activity to support residents to improve their employment prospects. The County Durham economy needs to recover quickly or any downturn may turn out to be permanent.

11.114 While the county faces a number of challenges – the impact of automation and digitisation, the costs of supporting an ageing population, the move to a low carbon economy – each challenge also creates new economic and employment opportunities, emphasising the need for a pro-active and innovative policy approach by leading stakeholders.