

Mapping County Durham's Functional Economic Market Areas

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**Richard Smith, Philip Craig (GH) and Mike Coombes (Newcastle
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Richard Smith
GHK
30 St Paul's Square
Birmingham
B3 1QZ
T +44 (0) 121 233 8900
FF +44 (0) 121 212 0308
birmingham@ghkint.com
www.ghkint.com

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Prepared by	Richard Smith, Philip Craig, Professor Mike Coombes
Checked by	Philip Craig and Mike Coombes
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Executive summary

1.1.1 Purpose of the Study

This Report forms part of evidence compiled for the County Durham Economic Assessment (CDEA). The aim of the study is to increase understanding of Durham's economic geography and identify functional economic areas, helping Durham County Council (DCC) and its partners to think through how this can support growth and development. The analysis seeks to identify and map the following:

- linkages between the County's town and other centres;
- flows of people, goods, information and services;
- the distribution of sectors and clusters;
- distinctive market areas; and
- the economic roles of the County's town and other centres.

The study should inform the Economic Assessment but will also have implications for other strategies and the work of the North East Local Enterprise Partnership.

1.1.2 Understanding Economic Geography

Functional economic geographies relate to the real area that an economy operates within (functional economic areas or FEAs), rather than simply looking at areas in terms of their administrative boundaries. Understanding these areas is important to ensure that decisions and interventions on the economy are undertaken at the right spatial level. An economic paper issued by the CLG suggested that:

This gap between administrative and economic boundaries inhibits strategic decision-making and creates co-ordination challenges for economic policy-making, risking policies that are not in the wider regional or national interest or the loss of policy opportunities that could make all places better off.¹

The patterns of flows which make up FEAs differ depending on which local markets are considered. The result can be that the FEA boundaries seem 'fuzzy' because the results depend on the data and method that the boundaries have been defined with.² It is also notable that many of the patterns making up FEAs have been changing over time, not least due to increased car ownership and greater mobility generally widening the area over which people travel on a daily basis for work and leisure.

As FEAs are expected to look beyond labour market areas, in this report we include a more diverse cluster of economic flows and linkages, constructing a 'best fit' economic geography where we can be confident in saying the majority of economic linkages and flows exist.

One crucial early decision for the research was to select the geographic 'building block' areas to be used. Working with the Steering Group, the final decision reached was to adopt the Study Area Zones defined for the field research by a parallel study, the Retail and Town Centre Study. The zones lie substantially within County Durham and break the County into roughly twice as many areas as the seven former Districts. As a result, the use of the zones identified in the Retail and Town Centre Study offer the opportunity to undertake a more detailed analysis of FEAs.³

¹ CLG (2008), Why Place Matters and Implications for the Role of Central, Regional and Local Government, page 40

² CLG (2009), Local Economic Assessments: Draft Statutory Guidance, Communities & Local Government, London

³ In the Annex there is a complete listing of the zones used (including those in the areas adjacent to County Durham). In that listing the postcode sectors making up each zone are specified, as are the identifying codes used for each zone on later maps.

1.2 County Durham's Economic Geography

The analysis resulted in recognition of four distinct FEAs across County Durham.

- **Durham City:** At the centre of County Durham is Durham City. This is the one Study Area Zone in the County that has emerged as a discrete FEA in its own right. This could be seen as evidence of a self-contained local area but, in practice, we suggest the analysis demonstrates that Durham City has no single very strong link with any one other area.

Durham City FEA Headline Statistics

% of County Durham business base	21%
% of County Durham employment	29%
% of residents below NVQ Level 2	10%
% of residents with NVQ Level 4	40%
Sectors with greatest employment:	Public Administration and Education; Tourism; and Financial and professional Business Services.
Major Centres	Durham City

- **Tyne Link:** Starting in the north, the northern fringe of the county – the areas of the former Districts Chester-le-Street and Derwentside – groups with the adjacent parts of Gateshead and thereby also with Newcastle and its environs. There are well-recognised strong commuting links across the County boundary here so the key point of interest is less that an area like Chester-le-Street groups with parts of Tyne and Wear than that it only has strong links with Tyneside and not also with Washington and Wearside. A look at the detail of Figure 2.4 provides some additional background information: these northern parts of the County had initially grouped together (with tally scores of 17 and 16) but once the process reached scores of 16 it saw them grouped with Tyneside so it can be concluded that there was at least one cross-boundary area pair whose grouping together was indicated by over two-thirds (14 out of 20) of the strands of evidence collated here.

Tyne Link FEA Headline Statistics

% of County Durham business base	25%
% of County Durham employment	22%
% of residents below NVQ Level 2	11%
% of residents with NVQ Level 4	42%
Sectors with greatest employment:	Public Services; Manufacturing; and Tourism
Major Centres	Chester-le-Street; Stanley; and Consett

- **Wear Link:** Turning to the eastern or coastal part of the county – in effect, the former District of Easington – a notably different result is found. Most importantly, the link is with Wearside rather than Tyneside. Figure 2.4 shows that this grouping only occurs at the last stage of the process applied in the analysis, because the relevant area pair tally score is only 11. In other words, if the process had been cut short even to the slightest extent then this coastal area within County Durham would have been identified as a separate FEA. This may not be so surprising - earlier discussions about the city regions in the North East noted that this area is not very intensively linked with any of the adjacent larger urban areas. In fact the result here will in part be due to this particular form of analysis which stresses links between individual area pairs, rather than the level of integration of the overall grouping (as does the method for defining TTWAs). As a result, this FEA should not be seen as a set of extensively inter-connected places so much as a 'chain' of

places with reasonably strong links between individual area pairs (Wingate-Peterlee-Seaham-Sunderland-Washington).

Wear Link FEA Headline Statistics

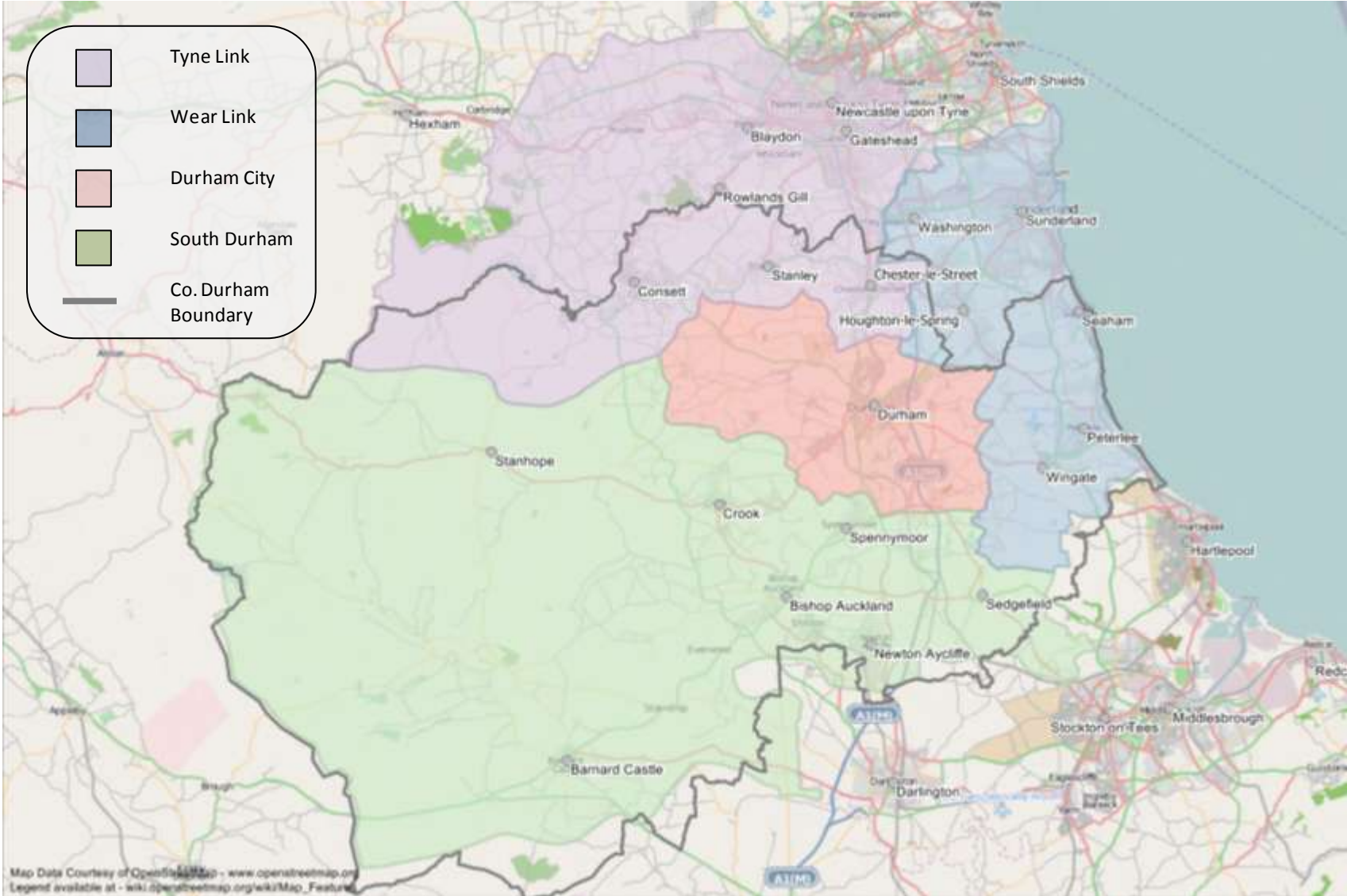
% of County Durham business base	16%
% of County Durham employment	17%
% of residents below NVQ Level 2	33%
% of residents with NVQ Level 4	<0%
Sectors with greatest employment:	Public Services; Financial, Professional and Business Services; and Tourism
Major Centres	Seaham; and Peterlee

- **South Durham:** The final FEA in County Durham covers the whole of the County to the south-west of Durham City. It incorporates substantial rural areas in the upper parts of Weardale and Teesdale but most of its economic activity is in the former new town of Newton Aycliffe or the former west Durham coalfield towns, including Spennymoor and Bishop Auckland plus their smaller neighbours Shildon and Crook. By also extending eastwards to the more rural area around Sedgefield it closely matches the three former Districts of Wear Valley plus Sedgefield and Teesdale. Figure 2.4 shows that area pairs within this large area include some high tally scores – such as that of 16 between Spennymoor and Newton Aycliffe – although it is only at the final step of including links with tally scores of 11 that this grouping (along with upper Weardale) is joined by Sedgefield and the pairing of Bishop Auckland and Barnard Castle.

South Durham FEA Headline Statistics

% of County Durham business base	38%
% of County Durham employment	32%
% of residents below NVQ Level 2	26%
% of residents with NVQ Level 4	42%
Sectors with greatest employment:	Public Services; Manufacturing; and Tourism
Major Centres	Newton Aycliffe; Spennymoor; and Bishop Auckland

Figure 1.1 The Four County Durham FEAs



1.3 Conclusions

The evidence base review and fieldwork carried out for this study highlights that there are three primary drivers of economic growth that can be used to promote sustainable economic development across the four FEAs of County Durham, namely: enterprise and innovation; education and skills; and accessibility.

These three factors combined lie at the heart of a strategy to accelerate economic development. But they are liable to 'wither on the vine' in the absence of fundamental drivers deeply embedded in the culture of the County, through the promotion of:

- civic and political leadership;
- an effective and robust vision and strategy, including stakeholder alignment; and
- social capital and quality of life of the area.

In order to lay the foundations for long-term renaissance featuring the rise of a new entrepreneurial dynamic, it is necessary to ensure that the underlying cultural determinants of growth were nurtured (e.g. aspirations and motivation, pride in place, community networks, culture, etc).

Many disadvantaged areas are characterised by stagnating if not declining industries, by a production regime, and associated institutional and social structure of the 'past'. It is often vital to identify and establish a new development model or business model for these areas, leading ultimately to a new and effective way in which wealth is generated. For many such areas it is important to ensure that solutions are firmly grounded in the underlying drivers of successful economic performance.

When describing the causes of the prevailing economic circumstances in each FEA, recourse was often made to a discussion of multi and inter-related causes and events. These discussions have been translated into the highly simplified diagrams given below. As stated above the expression of the various causes of economic growth and economic disparities differs according to the prevailing circumstances. A particular intervention may fail if supporting policy initiatives are lacking, or if the prevailing circumstances are not favourable.

1.4 Action Plan

The report includes a series of proposed actions, which go beyond the actions in the County's Regeneration Statement, covering economic, social and environment actions, it supports the delivery of the following high-level objectives:

- a more economically dynamic and socially inclusive County;
- increased business competitiveness through entrepreneurship and enterprise;
- dynamic sectors, enhancing and exploiting the County's assets and with increased adaptability and resilience; and
- maintaining a high quality life-style offer to those who work, live in and visit the County.

Achieving these objectives will not be easy. The impact of the credit crunch and recession on local areas and the fragility of the economic progress made in recent years (e.g. in terms of educational attainment, employment and economic output) mean that the County needs to keep the economic assessment and actions highlighted within any subsequent strategy under review. The actions in this report seek to focus partners on the top level issues rather than repeat what is in all the individual strategies and plans of partner bodies. Finally, a golden thread running through the report is the objective of 'mainstreaming' functional economic areas – ensuring that public policies at all levels take account of the distinct economic geography of the County. In other words, that the uniqueness of all types of communities are addressed in policy and delivery.

To help ensure that the County is watchful and does not become complacent about the efficacy of the work of all partners to strengthen the County's economy, there is a need to strengthen and focus governance arrangements. The County Durham Economic Partnership Board must remain a small but inclusive, strategic decision-making body which addresses the economic needs of the County by shaping policy, and underpinning and monitoring delivery of activity. We also suggest the introduction of a wider forum, a wider body of local networks which provides 'grass roots' evidence to the Economic Board about the effectiveness of policy and delivery and supports mainstreaming of issues at the local level. The two provide separate but complementary functions.

Turning to the plan, this addresses each of the four objectives highlighted above, and lists the expected outcomes.

Figure 1.2 Policy Priorities

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Cross Cutting		
An agreed plan of action for mainstreaming understanding of FEAs should be a first priority. The plan of action should ensure the spatial dimensions of the FEAs are reflected in policy and through delivery of key partners. Principally this must involve the County Durham Economic Partnership and the North East LEP but also the Tees Valley LEP.	This activity should follow the publication of the County Durham Economic Assessment. Ultimately the dynamics of the FEAs should drive partner delivery with collaborative cross-LA activity.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP
Develop industry champions for key sectors which help develop and facilitate networks that stimulate new enterprise through collaboration and co-operation and make best use of new funding opportunities	Sector-specific action plans and collaborative cross local authority networks can more effectively develop projects, and attract and retain businesses.	Countywide Led by the CDEP with the North East LEP
A local employment partnership between LEPs, Job Centre Plus and employers to agree support and the engagement of hardest to reach customers. This approach must be spatially sensitive, working with the sector trends in each FEA.	Seek an agreement between LEPs, JCP and employers to set aside vacancy opportunities for hardest to reach customers, through tailored pre employment training to clients before applying for vacancies set aside.	Countywide Led by the CDEP with the North East LEP
Develop local delivery initiatives with employers and LEP partners to support employer work-based learning. Support development of the local workforce, including those entering the workforce, and encourage higher level skills contributing to future productivity in the workforce.	Meet the need for up-skilling and re-skilling at all levels, and stimulate businesses to be smarter about increasing their own employees' productivity (i.e. enabling back-filling from economically inactive groups and bring them into workforce to acquire specific skills through this route)	Countywide Led by the CDEP with the North East LEP
Durham City		
Extend the international reach of Durham City through working with the UK Trade & Investment to assist in attracting new research and development investment into the County through encouraging international collaborations with the University.	Build collaborations between international research and knowledge intensive companies/ clusters involving development of a research excellence directory as a communications tool to promote the region's knowledge base and business strengths, both nationally and internationally.	National Led by the CDEP with UKTI
Work with all of the regions universities to increase the rate and extent to which companies in the County access and exploit opportunities to improve competitiveness and productivity through new flexible Knowledge Transfer Partnerships.	Deepen the relationships between business and knowledge base, increase the level of opportunity in knowledge based employment for the regions graduates.	Regional Led by the CDEP with the region's universities.

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Continue to develop the tourism offer through the World Heritage Site Masterplan and encourage visitors to access other major tourism attractions in the County, such as Beamish Museum, Bowes Museum and the Durham Dales.	Continue the growth and development of Durham City as a major leisure and tourism hub for the region.	FEA-focussed Led by the CDEP Place Development Group
Increase the scope of Durham City's economic performance through planning policy which enables high quality industrial/commercial and a mix of housing development.	Increased knowledge intensive employment in County Durham and increased travel to work flow to the county from neighbouring local authority areas.	FEA-focussed Led by the CDEP Place Development Group
Research, identify and then focus on priority market led technologies, sectors and companies through understanding the required contribution of key sectors, and therefore the scale of required support.	Increased growth in key sectors and higher employment of graduates in key sectors.	Countywide Led by the CDEP Business and Enterprise Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	Retained employment in knowledge-intensive sectors on NETPark and increased "lock-in" to the County from other companies involved in virtual access to the knowledge base.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP
Tyne Link		
Town centre and housing development which creates the conditions for an enhanced retail offer in Stanley, Consett and Chester-le-Street which moves beyond groceries and low value products and services, to comparison goods should be the ultimate objective.	This would prevent expenditure leakage to neighbouring local authorities, principally Newcastle and Gateshead and provide additional local employment.	FEA-focussed Led by the CDEP Place Development Group
Continued support in Consett and Stanley is required for the small business growth that has taken place in recent years. This will involve support services but also infrastructure support through grow-on business space in the county.	Increase business growth and employment in the county; grow the county's reputation a new enterprise hub.	Countywide Led by the CDEP Business and Enterprise Group
Sustain and potentially build on the FEAs knowledge-intensive manufacturing base through closer consultation with these companies in order to understand their needs and explore ways in which other companies across the county can collaborate with them	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county.	FEA-focussed Led by the CDEP Learning and Skills Group
Support the FEAs manufacturing base through ensuring that a strong focus on relevant higher level skills provision in the county's further and higher education institution is maintained.	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county	Countywide Led by the CDEP Business and

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
		Enterprise Group
Develop key leisure and tourism assets such as Durham County Cricket Club and Beamish Museum. Growth of these two assets should be undertaken in line with existing Masterplan documents.	Increased visitor spend in the county and reduced leakage of County Durham residents spending to other areas of the region.	FEA-focussed Led by the CDEP Place Development Group
Wear Link		
Provide support to growing companies in the FEA which may provide new jobs for local residents with the requisite skill profile. In the context of long term private sector stagnation these companies are of vital importance.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group
Deliver the next phase of development for Seaham and Peterlee, prioritising development which will support preceding investment.	Improvement of the external perception of East Durham; increase in local expenditure and potential property price uplift.	FEA-focussed Led by the CDEP Place Development Group
Establish higher profile anchor tenants in Seaham and Peterlee to upgrade the retail offer from convenience dominated to comparison goods, with a significantly higher quality offer for local residents.	Reduction in expenditure leakage to neighbouring local authorities of Sunderland and Hartlepool. Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Place Development Group
Multiple barriers exist which prevent access to the labour market. These relate to attitudinal, formal qualification levels and transport linkages. These barriers are complex but can begin to be addressed based on more effective consultation with key employers in the county to understand their requirements and address these where possible. This may involve low cost solutions.	Increased employment and opportunity for residents.	Countywide Led by the CDEP Place Development Group
Protection of tourism assets such as the Heritage Coast is a priority, furthermore the industrial and social heritage connected to coal mining and its associated communities offers the opportunity for further tourism development.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group
South Durham		
Reflecting the currently underdeveloped travel to work and housing market linkages with the Tees Valley, consideration of long term sites and premises trends, and development plans, will provide a	Retained employment in large employers, additionally it is important to ensure suitability to attract any possible relocation of companies through suitable sites and premises.	FEA-focussed Led by the CDEP Place



Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
better understanding of possible futures for major established sites such as Newton Aycliffe.		Development Group with the Tees Valley LEP
The role of small towns is particularly important in the South West FEA. The distinctiveness of Barnard Castle, as a unique market town, and of Bishop Auckland, as a sub-regional retail and leisure hub, should be protected and expanded if appropriate investment opportunities can be identified	Council and partners providing leadership, with small towns regenerated to improve employment and services for themselves and their hinterland based on local needs.	FEA-focussed Led by the CDEP Place Development Group
Develop the visitor economy linked to Durham City, based on quality landscapes and historic heritage, with improved marketing aimed at increasing duration of stay in the County	The value of heritage tourism recognised with improved tourism enterprises.	Countywide Led by the CDEP Business and Enterprise Group
High speed broadband is key to modern business operation, regardless of sector. Strengthening the support for flexible ways of working, including home-based workers and teleworking, offers an opportunity to exploit the quality of life offer in the rural parts of the FEA, where access to a wide range of employment opportunities is limited.	Employment and enterprise in rural areas can be increased through removing key communication barriers and establishing re flexible working patterns/reducing carbon emissions.	Countywide Led by the CDEP Place Development Group
Tackling hidden unemployment or underemployment in the rural West of the FEA necessitates that local partnerships, involving the Voluntary and Community Sector, local community infrastructure and mobile services, deliver a more focussed and responsive range of services to local communities, particularly in relation to assisting those who have become disengaged from the labour market. Sector growth in creative and digital / financial and business services has not recovered jobs lost through a decade of manufacturing contraction.	Increased employment; use of community buildings and improved accessibility to services for residents.	FEA-focussed Led by the CDEP Learning and Skills Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	Retained employment in knowledge-intensive sectors on NETPark and increased “lock-in” to the County from other companies involved in virtual access to the knowledge base.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP

1 Introduction

In this Chapter of the Report we highlight the aims of the study and introduce the key concepts employed to define areas by the business and economic activities undertaken rather than by administrative or historic boundaries.

1.1 The Need for Functional Economic Areas

The concept of a Functional Economic Area (FEA) has emerged from research over several decades and has become increasingly influential in debates about economics and policy. In recent years the debate has been framed in terms of 'city regions', but the essential idea remains the same: that markets have identifiable and distinct spatial dimensions and economic flows that overlap local authority boundaries and have an economic footprint that does not correspond to administrative limits.⁴

FEAs have become increasingly relevant for economic and planning policy, providing the appropriate spatial scale to address strategic issues and functional relationships, particularly in relation to:

- **Economic Development:** focussing on patterns of economic specialisation and agglomeration, as differentials in economic performance and markets for employment land tend to be sub-regional in nature;
- **Housing:** housing markets operate at a sub-regional level and there is a clear need for a cross-boundary approach to policy in relation to housing supply;
- **Transport:** the sub-regional level is generally better aligned with Travel to Work Areas (TTWA), the nature of transport networks and to some existing administrative areas (e.g. Passenger Transport Executive areas); and
- **Implementation:** there are benefits to a sub-regional approach that aims to integrate strategies and investment planning across different organisations and policy.

There is now widespread recognition of the importance of regional, city and sub-regional specialisation to economic competitiveness. Comparative advantage is based on a number of factors including place-specific increasing returns to scale, positive externalities generated by co-located activities, increasing recognition of the importance of region and city differentiation in production and lifestyle factors. Sub-regions and localities develop particular characteristics related to labour market and skills, knowledge, production, environment and transport connectivity that potentially make them attractive to particular economic sectors or functions.

If economic competencies are best built and integrated at the local level, preferably at the lowest level of a viable functional economic area, the concept then becomes fundamental to intervention, often requiring new arrangements for:

- **engagement** and consultation across administrative boundaries (i.e. creating a 'communality of interests' in the area);
- **decision making** and promoting accountability (i.e. new forms of governance and 'institutional re-composition'); and, crucially
- **prioritising projects** and in order to construct any form of effective 'ask' to central government and/or the private sector (i.e. a vital underpinning of any funding strategy, seeking to identify the most (cost) effective way to use (very) limited resources.

In addition, Ministers have said Local Enterprise Partnerships (LEPs), which will take on economic development from the regional development agencies, must capture real economies rather than artificial administrative boundaries. So the ultimate objective must be

⁴ Devolving Decision Making: 3 – Meeting the Regional Economic Challenge: The Importance of Cities to Regional Growth, HM Treasury, DTI, ODPM (March 2006), p.8

to develop an integrated policy programme delivered flexibly and locally, responding to local conditions.

1.2 Aims and Objectives of the Study

This Report forms part of evidence compiled for the County Durham Economic Assessment (CDEA). This provides a common understanding of the County's economy, developing a single evidence base and bringing together strategies into a coherent framework, influencing the interventions of partners at local, sub-regional and regional levels.

The aim of the study is to increase understanding of Durham's economic geography and identify functional economic areas, helping Durham County Council (DCC) and its partners to think through how this can support growth and development. The analysis seeks to identify and map the following:

- linkages between the County's town and other centres;
- flows of people, goods, information and services;
- the distribution of sectors and clusters;
- distinctive market areas; and
- the economic roles of the County's towns and other centres.

The conclusions and recommendations must be focused on the following issues:

- clearly identifying how the County fits within the wider regional economy, including the two LEP areas;
- distinguishing the economic roles of the County's towns and other centres over the medium to long term;
- highlighting both current and future needs and opportunities for investment; and
- including policy implications for both rural and coastal areas.

Having identified the FEAs, commenting on their economic potential, competences and constraints, we also seek to review the implications of this new economic geography for the core economic narrative contained in the County's Regeneration Statement. This Statement offers a useful overview of where the economy of the County stands and what the local authority and partners need to do to make County Durham a better place to live, work and invest, including the spatial, social and economic priorities over the coming years. In particular the statement focuses on:

- adopting a 'whole-town' approach to creating vibrant and successful towns encompassing the economy, housing, health and the infrastructure to make it work;
- building schools that equip our children with the skills to take advantage of existing and new opportunities; and
- raising aspirations, participation and attainment of young people.

This is a significant statement of the County's priorities, underpinning the Sustainable Communities Strategy and Local Transport Plan. The Regeneration Statement started a dialogue about the role of some of the major residential centres across the County, and identifies four spatial 'zones' (referred to 'areas of opportunity') into which County Durham can be usefully divided when considering economic and spatial policy development and investment: Durham City, North and East Durham, South Durham and West Durham. We seek to review the statement through the 'lens' of the FEAs we identified, commenting on the alignment of the zones with our own analysis, highlighting issues for individual areas and the County. We conclude with specific proposals to help ensure that existing and proposed forms of development and growth are soundly focused on the hidden economic potential of County Durham.

Finally, the study should inform the Economic Assessment but will also have implications for other strategies. It draws upon existing and emerging sources of information and evidence, including the work undertaken by the North East Regional Information Partnership (NERIP) and the City Regions, in particular the review of economic geography commissioned by the Tyne and Wear City Region.

1.3 Structure of the Report

Following this introductory Chapter, the Report is structured as follows:

- **Chapter 2 - Mapping County Durham's Functional Economic Areas:** We explain the quantitative and qualitative approach taken to analyse the economic structure and outline the dynamics of the County's economy.
- **Chapter 3 - Profile of Functional Economic Areas:** Rather than looking at the County as a whole, we look beyond pre-established organisational boundaries and use the FEA analysis to highlight the characteristics of each area, including their economic potential, constraints and implications for decision makers.
- **Chapter 4 – Conclusions and Recommendations:** We present our conclusions and list our recommendations concerning policy levers and measures that can be used to encourage private sector enterprise.

Most of the technical information is presented in the appendices. The main report has been designed to be as short as possible, bearing in mind the technical nature of some of the information presented. The intention is to present and highlight 'headline' statements and evidence, leaving a succinct story and associated key messages concerning what kind of economy is most likely to drive forward competitiveness, given its historic trajectories and current areas of strength and weaknesses.

2 Mapping County Durham's Functional Economic Areas

In this Chapter of the Report we outline the approach taken to analyse the economic structure and outlines the dynamics of the County's economy.

2.1 The Concept of Functional Economic Geography

Functional economic geographies relate to the real area that an economy operates within (functional economic areas or FEAs), rather than simply looking at areas in terms of their administrative boundaries. Understanding these areas is important to ensure that decisions and interventions on the economy are undertaken at the right spatial level. An economic paper issued by the CLG suggested that:

*This gap between administrative and economic boundaries inhibits strategic decision-making and creates co-ordination challenges for economic policy-making, risking policies that are not in the wider regional or national interest or the loss of policy opportunities that could make all places better off.*⁵

In other words, many local authorities cover too small a geographical area to address most economic markets and so are too small to effectively tackle many economic challenges.

There is no formal definition of FEAs and no definitive map of the geography of FEAs. The economic linkages and flows between different places will inevitably vary depending on what issue or factor you happen to be looking at. CLG referred to areas that 'encompass most economic markets such as labour, product and housing markets'.⁶ The word 'encompass' indicates that FEAs are expected to have high levels of self-containment.⁷ That is, most related economic actors will be expected to be located in the same market area boundary.

Until recently most academic research on FEAs was limited to analysing commuting data. Travel-to-Work Areas (TTWAs) are a set of market-type areas that are defined using self-containment criteria. Characterised as clusters of commuting flows, they are now established as the official local labour market areas.⁸ More recently, local authorities have sought to look at a number of different economic factors and understand the various dynamics in operation.

The patterns of flows which make up FEAs differ depending on which local markets are considered. The result can be that the FEA boundaries seem 'fuzzy' because the results depend on the data and method that the boundaries have been defined with.⁹ For example, a city's labour market area and its hospital catchment area are likely to have quite different boundaries. It is also notable that many of the patterns making up FEAs have been changing over time, not least due to increased car ownership and greater mobility generally widening the area over which people travel on a daily basis for work and leisure.

As the definitions of FEAs are expected to look beyond labour market areas, in this report we include a more diverse cluster of economic flows and linkages, constructing a 'best fit' economic geography where we can be confident in saying the majority of economic linkages and flows exist. Building on the expertise of Professor Mike Coombes, who has created a method to combine the patterns found in a diverse set of linkages, we define a set of FEAs that are appropriate for policy purposes because they are both robust (the data used is

⁵ CLG (2008), Why Place Matters and Implications for the Role of Central, Regional and Local Government, page 40

⁶ *ibid* (page 39)

⁷ Self-containment can be described as internalising the links between the jobs, housing, infrastructure and services which allow needs to be met in place without necessarily requiring travel outside that place.

⁸ Coombes M and Bond S (2008), Travel-to-Work Areas: the 2007 review. Office for National Statistics, London

⁹ CLG (2009), Local Economic Assessments: Draft Statutory Guidance, Communities & Local Government, London

consistently reliable across all areas) and also plausible (the outputs largely accord with prior expectations).¹⁰

2.2 Study Approach

This study builds upon the key point made in the Government's guidance that Local Economic Assessment should, as far as possible, match real economic geographies, recognising that economic flows often overlap local authority boundaries and markets, broadly correspond to sub-regions or city regions.¹¹ As a result, the research sets the County Durham area in its context by looking beyond its local authority boundaries. It considers whether the FEAs which cover the County extend across other areas outside its boundaries. Beyond the County itself this means considering those parts of the Tyne & Wear and Tees Valley City Regions which are within 20 kilometers of the County boundary, plus the adjacent area outside the North East region (i.e. Richmondshire).

The selection of a suitable technique to identify FEA's raised both technical and practical challenges. As part of this research, we have worked closely with the Project Steering Group to reach agreement on the following issues:

- **Overlapping Areas:** Regions or localities defined for administrative purposes scarcely ever overlap but as mobility increases there are increasing overlaps in the areas of influence of major centres (for example, Barnsley being seen as part of both Sheffield and Leeds city regions). In this study the assumption is that the FEAs *will not overlap* and it is assumed that every part of the County is to be included in one, and only one, of the FEAs.
- **Nodal Points:** It has been argued that not every FEA will have a single dominant centre, so it is inappropriate to start the definition process by identifying centres and then finding 'catchment areas' around them. In this study the view was taken that multi-dimensional *flows between all settlements are relevant* and this militates against only looking at only those from hinterland areas to centers.

Following the idea of initially trying for an 'ideal' solution, while accepting that compromise may be necessary later, we have also sought to recognize the trade-offs in choosing strands of evidence to analyse between:

- **The precision and the recentness of data:** For example, the most precise information on migration still comes from the 2001 Census but there are other more recent datasets that capture a non-random sample of migrant flows. Although relying on some datasets from 2001 is not ideal, all the evidence is that deep-rooted localised linkages change very slowly, not least due to transport infrastructure fixity. As part of our analysis we required data to be more accurate than any survey data available for sub-local authority areas and preferably available for detailed sub-groups (e.g. commuting by professional workers or migration by home-owners).
- **A comprehensive set of economic flows and the precision of datasets:** Our response has been to not use a model to estimate the relevant flows to estimate the pattern of supplies to industry based solely on using data on the location of relevant firms or specific sectors. Such models have to rely on presumptions about the patterns which are of particular interest (e.g. it would be implausible to assume all firms in Chester-le-Street source from Durham City, and not from Newcastle or Sunderland, simply because the former is marginally closer).

2.3 Study Method

One crucial early decision for the research was to select the geographic 'building block' areas to be used. The default' choice is the former District local authorities, not least

¹⁰ Coombes M (2000), Defining locality boundaries with synthetic data, Environment & Planning (pages 1499-1518)

¹¹ *ibid* 4, page 14



because there are many datasets that use these areas for reporting statistics. The disadvantage of these areas would be that:

- following the designation of County Durham as a unitary authority they are no longer part of the institutional landscape; and
- they are too large to provide very good discrimination in the patterns of linkages at the local level.

For example, an appropriate set of FEA boundaries might group Consett with Gateshead but Stanley with Durham City. This possibility could not be considered if the building block areas used were former District boundaries because Consett and Stanley were part of the single Derwentside District and so could not be grouped in different ways. It must be recognised, all the same, that using building block areas smaller than the former Districts means that less data will be available for the analyses because the Districts are the smallest area for which many datasets are made available.

Working with the Steering Group, the final decision reached was to adopt the Study Area Zones defined for the field research by a parallel study, the Retail and Town Centre Study (see Figure 2.3). The zones lie substantially within County Durham and break the County into roughly twice as many areas as the seven former Districts. As a result, the use of the zones identified in the Retail and Town Centre Study offer the opportunity to undertake a more detailed analysis of FEAs.¹²

To define FEA boundaries that are based on a synthesis of several different types of flows or links means relying on some unfamiliar quantitative methods that can combine evidence from different sources. There is no 'standard' method of analysis and no standard software package. Rather than relying on more qualitative methods, as often used in FEA definitions elsewhere, we have sought to reflect the diversity of evidence by building on an innovative quantitative method which was developed and applied in similar research to define a set of compact, robust and highly self-contained FEAs.¹³

The approach can be best summarised with a simple worked example, in which three datasets - X, Y and Z - are analysed to decide on the most appropriate way for four zones – A,B, C and D – to be grouped into two regions. A review finds that:

- dataset X indicates that the strongest links are between zones A and B and also between C and D;
- dataset Y indicates that the strongest links are between zones A and D and also between C and D; and
- dataset Z indicates that the strongest links are between zones A and B and also between A and C.

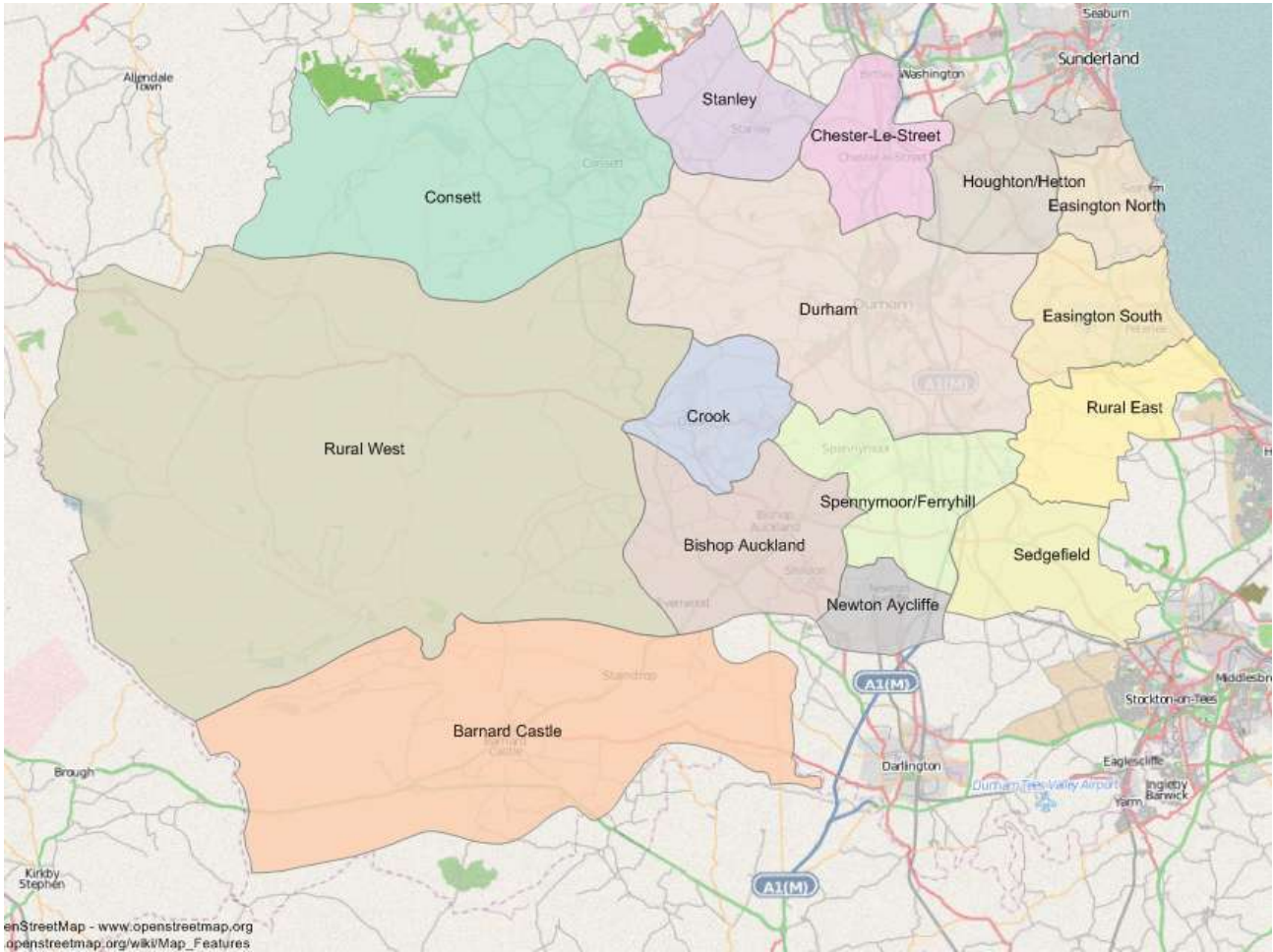
Combining the evidence from the 3 datasets requires that all indications of links between 2 zones should be given equal 'weight' in the final analysis. In effect, a count or tally is made of the number of times the evidence has indicated a link between each pair of zones, as below.

A and B = 2	B and C = 0
A and C = 1	B and D = 0
A and D = 1	C and D = 2

¹² In the Annex there is a complete listing of the zones used (including those in the areas adjacent to County Durham). In that listing the postcode sectors making up each zone are specified, as are the identifying codes used for each zone on later maps.

¹³ Shortt N, Moore A, Coombes M and Wymer C (2005), Defining regions for locality health care planning: a multidimensional approach, Social Science & Medicine (pages 2715-2727)

Figure 2.3 County Durham Study Area Zones



Source: Derived from GVA Grimley Retail and Town Centre Study (2009)¹⁴

¹⁴ The County Durham Major Centres Study identified 15 economic building blocks corresponding to catchment areas for town centres in the County. These are clearly defined using post code districts. (illustrated in Map 1). Corresponding geographic building blocks were also defined by the study team in the Tees Valley and Tyne and Wear, resulting in a total of 29 building blocks from which to construct FEAs

Synthesising this evidence, it makes sense to start by looking at the highest tally scores, and these link zones A and B and also zones C and D so the process can stop at that point because it has succeeded in its task of defining two regions from the four initial zones.

With a larger and more complex dataset a more sophisticated form of analysis is needed, although the same basic method of analysis is applied. It will follow the approach in the example described above by looking at the tally score of each pair of areas, grouping the pair(s) of areas with the highest score, then those with the next highest score, continuing until the appropriate number of groupings has been identified.

While there is no single 'right answer', the outcome depending to some extent on the information that is available, the intention is to establish a process which is more transparent so that policy makers can see the options that the analyses offer. The key remaining element of the method involved identifying the topics and the format of the data to be analysed so as to define the FEAs:

- including information which can be **expressed in binary** (yes/no or 1/0) form for each pair of areas;
- **identifying inputs from datasets** which can be analysed so as to produce the necessary data format, in the process creating a new set of 'input' boundaries; and
- deciding what is relevant, **making a judgment** on which features of the economy should be considered.

In the remainder of this section of the Report, the factors to consider are reviewed within a framework related to the types of market whose spatial expression shapes FEAs.

2.3.2 Labour Markets

The most widely adopted approach to identifying FEAs emphasises Travel to Work Areas (TTWAs), relatively self-contained and internally contiguous sub-regional labour market areas. An existing set of areas like TTWAs was been represented here as a 'best fit' grouping of the Study Area Zones so as to generate the necessary binary data on whether any pair of areas are within the same TTWA or not. TTWAs have been widely seen as the default definition of FEAs not only because labour markets are key to policy relevant definitions of FEAs, as with TTWAs being used for the State of the English Cities,¹⁵ but also because TTWAs are the only sub-regional economic boundaries robustly defined to satisfy National Statistics. Different labour market areas can be produced by analysing commuter flows of only certain occupations, such as managerial and professional workers, who tend to commute longer distances.

2.3.3 Housing Markets

Compared to the definition of labour markets, there has been much less research on defining housing market areas. The most frequently used approach has been to analyse migration data (i.e. residential mobility). Annual data can be derived from the NHS central register, but this data excludes some movers and is unavailable for areas smaller than Districts. As a result, the inputs here rely on the 2001 Census data (just as the labour market area definitions rely on the Census commuting data).

2.3.4 Administrative Areas

FEA definitions relate to a wide range of service provision, and for many public services the geography of their service provision is shaped by administrative areas. In addition, the policy focus here on FEAs relates to partnership working, so it is relevant to consider the areas of responsibility of existing relevant authorities and potential partners. A shared sense of sub-regional identity can help working relationships.

¹⁵ Parkinson M, Champion T, Evans R, Simmie J, Turok I, Cookston M, Katz B, Park A, Berube A, Coombes M, Dorling D, Glass N, Hutchins M, Kearns A, Martin R and Wood P (2006) State of the English Cities, ODPM, London

2.3.5 Service Markets for Consumers

Most service markets for consumers are sub-regional in scale. Although today people have greater mobility than previously, the underlying principle that a greater distance tends to deter frequency of use remains relevant. The relative strength of readership of the morning newspapers the Journal and the Northern Echo was used to generate data for this study. There is also interest here in use of higher order services (e.g. major shopping centres). A cautionary note here is that there are few if any National Statistics datasets on patterns of service use and the private sector datasets may be less robust. However we were able to include a new dataset from the learner statistics of further education colleges. This analysis considered the catchment areas for students aged 18 and over of the colleges in the region, as derived from this dataset.

2.3.6 Supply Chains in Industry and Commerce

FEA definitions aim to map sub-regional economic activity, and this calls for data on the flows of goods, services and information locally. In practice there is no source of robust sub-regional supply linkage data. It is possible to identify the location of specific sectors and to estimate their supply needs by using input/output tables to model linkage patterns. However the geography of linkages may well not conform to the assumptions of models based simply on distance, with corporate purchase policies often overriding local considerations. Given the absence of robust evidence on the geography of supply chains, new surveys would have to be commissioned to fill this gap. In the absence of this type of survey, a useful source of alternative information is the development of forums for engineering and other manufacturing firms in each of three separate parts of the County.

2.3.7 Transport Networks

Local transport policy may be best dealt with at the scale of FEAs but data on transport itself is not very relevant to definitions of FEAs. The core reason is that major transport networks are not shaped by local but by national requirements, so their presence or absence between a pair of areas does not indicate that those areas are – or are not – strongly linked. For example, the dominant north-south transport links of Darlington are due to its location on national English-Scottish routes; they service these regional and cross-border flows but do not mean that the links between the town and Durham City, for example, are stronger than the east-west flows which are much less well served by the national road and rail networks.

2.3.8 Other Previous Analyses

It has already been indicated that there have been a number of past attempts to define FEAs, or areas that are in some ways similar. It is inappropriate to reject all these efforts as unsatisfactory, when the logic here is that no single definition is 'perfect' and that the results of this study can draw strength from seeking the 'common denominator' in a range of input datasets. On this basis the way forward is to select the more robust and relevant past definitions of sub-regional areas by academics and others, using them here as further inputs to the new synthesis of appropriate available evidence that follows below.

2.4 Summary of Data Inputs and Scores

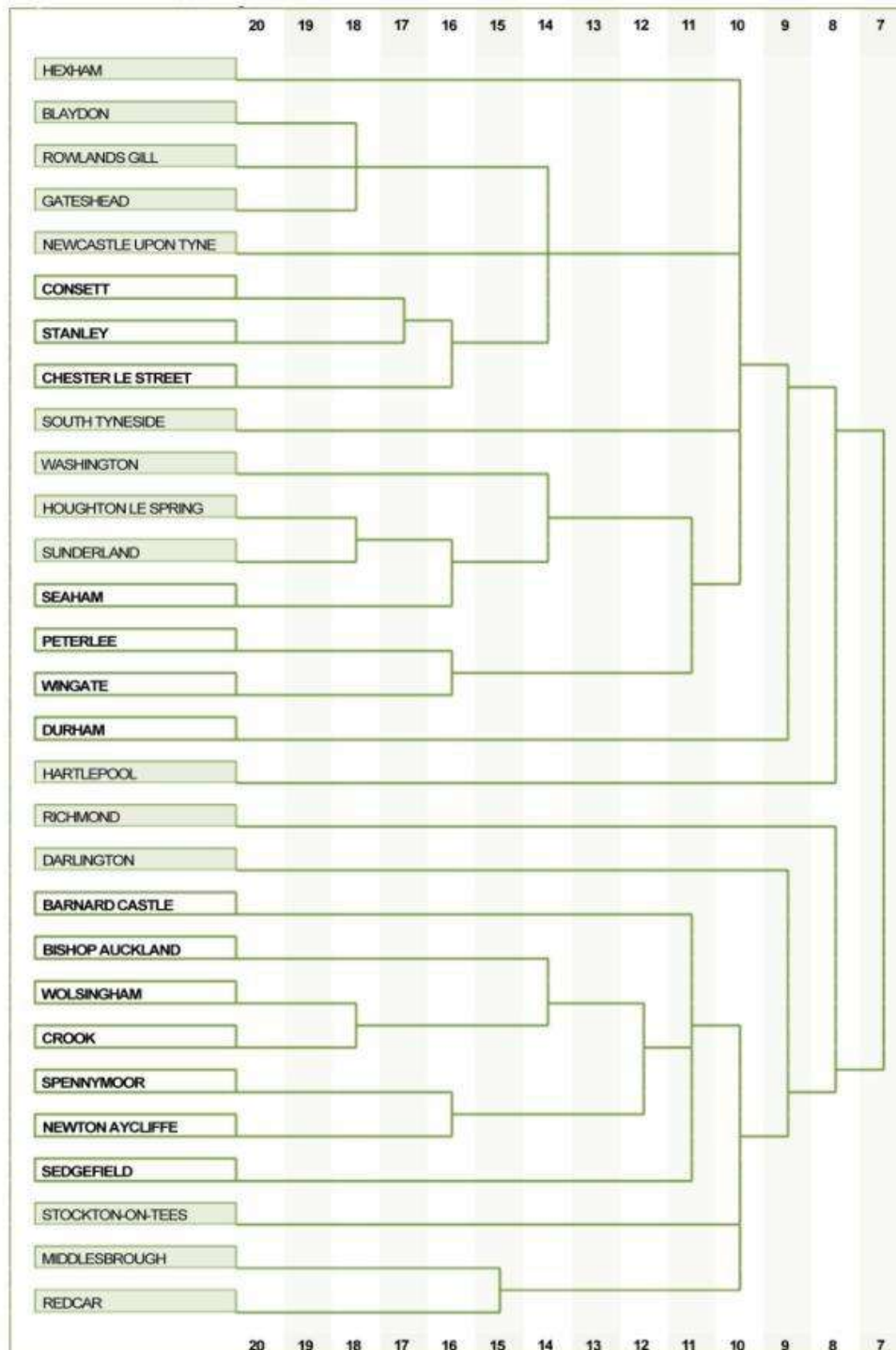
The data selection stage of this study has led to twenty input datasets being identified that are sufficiently relevant and contemporary. The list of datasets is set out below in Table 2.1. These datasets have been processed and compiled into the binary format of the tally scores described earlier. The maximum tally score for any pair of areas is twenty - such a pair of areas would have been found to be linked according to every one of the input information sources. In practice, eighteen is the very highest tally score for any pair of Study Area Zones. This is the score of just one area pair in County Durham (Crook and Wolsingham) plus some nearby area pairs in Tyne and Wear (e.g. Sunderland and Houghton-le-Spring). Applying the method described earlier, the key question becomes how far down the ranking of tally scores to continue with the grouping of areas.

Table 2.1 Input Datasets for the definition of FEAs

Relevant and most recent available	Relevant but not most recent
Labour markets	
TTWAs	Former TTWAs
Low skill LLMA	
High skill LLMA	
NERIP commuting zones	
Housing markets	
SHMA areas	
County Durham owner-occupier HMAs	
Producer markets	
Engineering/other sector forum areas	
Consumer markets	
NERIP key shopping centre catchment areas	Experian Town Territories
Communications	
Morning newspaper catchment areas	
Evening newspaper catchment areas	
Postcode areas	
public services	
Age 19(+) catchment areas of FE colleges	
Current local authority boundaries	Former local authorities
meta analysis definitions	
PACEC sub-regional areas	CURDS Localities
NERIP City Regions (Tyneside as 1)	CURDS City Regions

Figure 2.4 is presented in the form of a dendrogram,¹⁶ with the areas ordered so that their subsequent grouping can then be shown as a series of cumulative 'brackets' as the process of groupings is shown successively from left to right across the diagram. (Areas outside, but adjacent to the County are shaded)

Figure 2.4 Grouping of Tally Scores



¹⁶ The dendrogram is a graphical representation of the results of an analysis of clusters of data. This is a tree-like plot where each step of hierarchical clustering is represented as a fusion of two branches of the tree into a single one.

For example, Hexham is shown at the top and can be seen to remain separate until the process has reached down as far as tally scores of 10 (which is the highest score of any area pair including the area of Hexham). By this stage, all the areas immediately to its east – Blaydon plus the other Gateshead areas and Newcastle along with the northern parts of County Durham – have all become parts of a single grouping. If the process proceeds as far as tally scores of 10 then this link between Hexham and its neighbour actually adds Hexham to the whole of this wider group. In fact the tally score of 10 is also that which links this grouping of northern County Durham and NewcastleGateshead with Wearside and the coastal part of County Durham (the former District of Easington) so taking the process this far would create a huge FEA extending from much of Tynedale to Wingate. The dendrogram allows the different possible levels of area grouping to be considered by examining how many separate areas there will be if the process continues to any level of tally score from 19 (all areas separate) to 7 (all areas in 1 group).

The decision here was to take the process as far as tally scores of eleven: in other words, to group all area pairs for which the majority of the twenty strands of evidence collated here had indicated 'yes' to the grouping of those areas.

The fact that stopping the process after grouping area pairs with tally scores of eleven yields eleven FEAs can be checked with the information in the dendrogram in which there are eleven horizontal lines (representing separate areas, or groups of areas) crossing from the column headed 11 to that headed 10.

An idea of the scale at which these FEAs are operating can be seen from looking at how the analysis has divided the conurbations to the north and south-east of County Durham. Not only has Darlington remained separate from Teesside but so has Hartlepool. Within the urban core, Stockton remains separate from the grouping of Middlesbrough and Redcar. As for Tyneside, South Tyneside has remained distinct from the rest of southern Tyneside (as well as from Wearside).¹⁷ These results are entirely plausible: they recognise as separate the sorts of places that each have at least one sizeable shopping centre and, in most of these large towns, a sufficiently distinct identity to support their own afternoon newspaper. This is not to deny that there is also an economic reality to the wider conurbations as larger FEAs, but this study identifies a more fine-grained set of FEAs which may represent more of the daily flows and detailed patterns of local market behaviours. It is at this more local scale that FEAs have been defined by this study of County Durham: a different study of the evidence is likely to find FEAs at a wider scale where County Durham is, by and large, subdivided between city regions that include the two conurbations to the north and south-east.¹⁸

2.5 County Durham's Economic Geography

It is appropriate to briefly summarise the local economic geography that these FEAs have identified across County Durham.

- **Tyne Link:** Starting in the north, the northern fringe of the county – the areas of the former Districts Chester-le-Street and Derwentside – groups with the adjacent parts of Gateshead and thereby also with Newcastle and its environs. There are well-recognised strong commuting links across the County boundary here so the key point of interest is less that an area like Chester-le-Street groups with parts of Tyne and Wear than that it only has strong links with Tyneside and not also with Washington and Wearside. A look at the detail of Figure 2.4 provides some additional background information: these northern parts of the County had initially grouped together (with tally scores of 17 and 16) but once the process reached scores of 16 it saw them grouped with Tyneside so it can be concluded that there was at least one cross-boundary area pair whose grouping together was indicated by over two-thirds (14 out of 20) of the strands of evidence collated here.
- **Wear Link:** Turning to the eastern or coastal part of the county – in effect, the former District of Easington – a notably different result is found. Most importantly, the link is with Wearside rather than Tyneside. Figure 2.4 shows that this grouping only occurs at the last stage of the process applied in the analysis, because the relevant area pair tally score is only 11. In other words, if the process had been cut short even to the slightest extent then this coastal area within County Durham would have been

¹⁷ It should be noted that North Tyneside areas were excluded from the analysis so no conclusions can be drawn from their absence from the FEAs

¹⁸ NERIP Executive Team (2006), Spatial analysis of economic flows in North East England, www.nerip.com/reports_briefing.aspx?id=259

identified as a separate FEA. This may not be so surprising - earlier discussions about the city regions in the North East noted that this area is not very intensively linked with any of the adjacent larger urban areas. In fact the result here will in part be due to this particular form of analysis which stresses links between individual area pairs, rather than the level of integration of the overall grouping (as does the method for defining TTWAs). As a result, this FEA should not be seen as a set of extensively inter-connected places so much as a 'chain' of places with reasonably strong links between individual area pairs (Wingate-Peterlee-Seaham-Sunderland-Washington).

- **Durham City:** At the centre of County Durham is Durham City. This is the one Study Area Zone in the County that has emerged as a discrete FEA in its own right. This could be seen as evidence of a self-contained local area but, in practice, we suggest the analysis demonstrates that Durham City has no single very strong link with any one other area (NB. the strongest links are northward, with Figure 2.4 showing that a tally score of 9 would group it in that direction).
- **South Durham:** The final FEA in County Durham covers the whole of the County to the south-west of Durham City. It incorporates substantial rural areas in the upper parts of Weardale and Teesdale but most of its economic activity is in the former new town of Newton Aycliffe or the former west Durham coalfield towns, including Spennymoor and Bishop Auckland plus their smaller neighbours Shildon and Crook. By also extending eastwards to the more rural area around Sedgefield it closely matches the three former Districts of Wear Valley plus Sedgefield and Teesdale. Figure 2.4 shows that area pairs within this large area include some high tally scores – such as that of 16 between Spennymoor and Newton Aycliffe – although it is only at the final step of including links with tally scores of 11 that this grouping (along with upper Weardale) is joined by Sedgefield and the pairing of Bishop Auckland and Barnard Castle.

Figure 2.5 illustrates the findings for County Durham by highlighting the four FEAs that cover the County. In this depiction what is brought to the fore is that in contrast to the links across the northern county boundary with Tyne and Wear there are no FEAs which span the southern boundary of the county. This finding reflects the more general evidence of the study of a surprising lack of strong links with the areas grouped in the Tees Valley. In particular, we would highlight:

- a relatively low tally score of the link between an area like Newton Aycliffe and its nearby larger neighbour Darlington would not have been predicted prior to this analysis, particularly with the local evidence of good transport links; and
- the small settlements around Sedgefield and Wingate do not have their strongest links with their much larger neighbours of Stockton and/or Hartlepool rather than with other parts of the county (Newton Aycliffe and Peterlee respectively).

2.6 Review of Findings

This report has proceeded through a series of steps which can now be summarised as:

- in conceptual terms, FEAs are taken to be **clusters of areas linked by economic flows**;
- the approach to defining FEAs taken here relies on a **'tally' of links between area pairs**;
- applying the method depends on **collating data on links** (twenty datasets were compiled); and
- the results seem to be **sufficiently in accordance with local knowledge to be plausible** (initial hypotheses having been shared at a workshop and with the Project Steering Group).

This approach allows decision makers to see at what stage in the process any particular grouping of areas came into existence and, in addition, for how long through the process that grouping remains distinct before being grouped with some other areas. It also shows how the different number of groupings of County Durham areas are produced if the process is stopped before it reaches the tally score of 11 used here to derive FEAs.

Figure 2.5 County Durham Functional Economic Areas

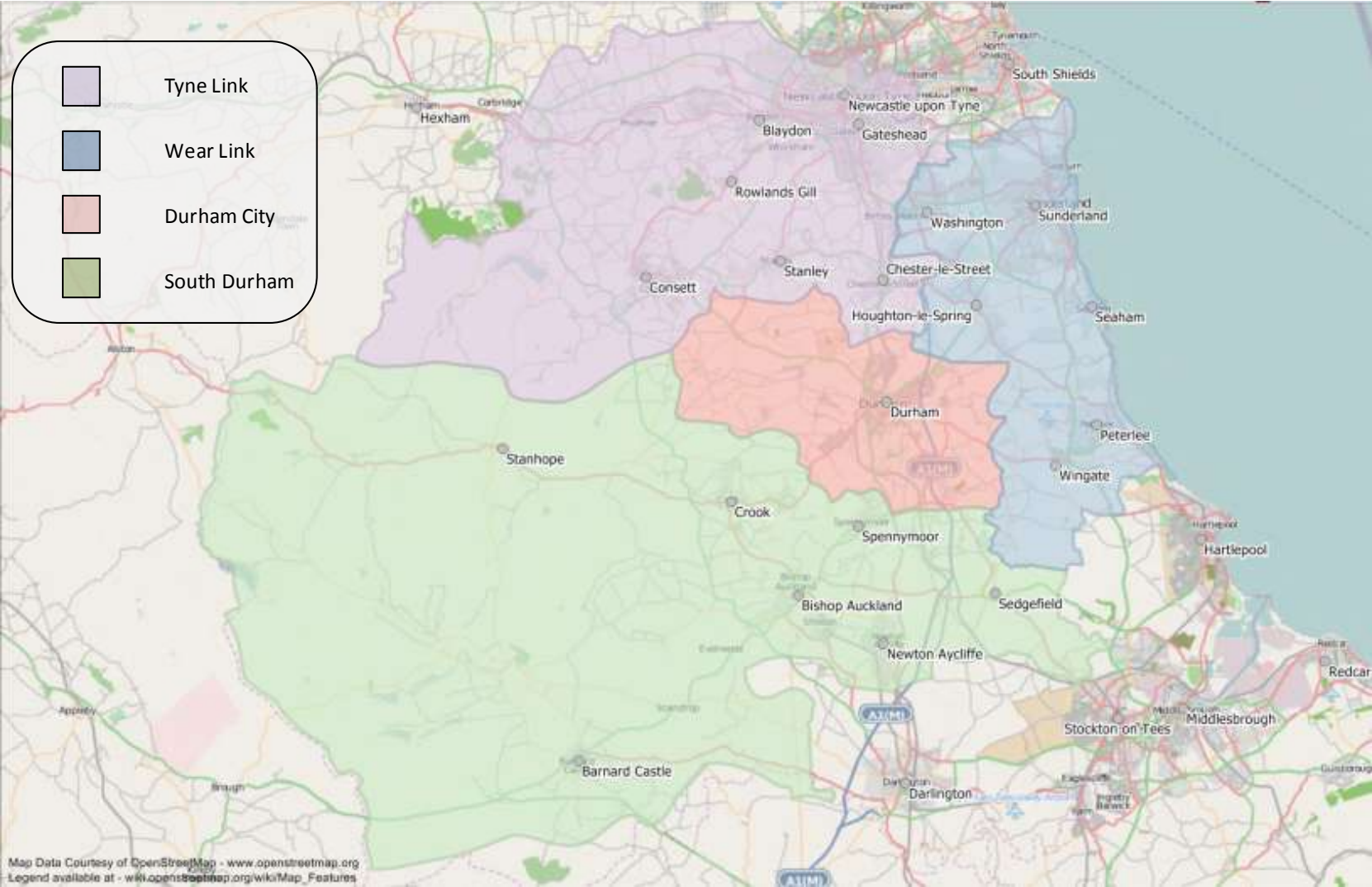


Table 2.2 Sensitivity Analysis of the Results

Tally Score	Impact on the Analysis
20 or 19	All the 14 Study Area Zones in County Durham remain separate
18	1 grouping involving County Durham areas reduces the number of 'proto' FEAs to 13
17	1 grouping reduces the number of 'proto' FEAs to 12
16	4 groupings reduce the number of 'proto' FEAs to 9 (1 grouping was with Wearside)
15	0 groupings involving areas in County Durham
14	2 groupings reduce the number of 'proto' FEAs to 8 (1 grouping was with Tyneside)
13	0 groupings involving areas in County Durham
12	1 grouping reduces the number of 'proto' FEAs involving County Durham to 7
11	3 groupings produce 4 Functional Economic Areas – the chosen approach

It is relevant at this point to recall the statement made earlier about the method used here having specific characteristics which affect its results (as with any method, of course). In particular, its focus on individual area pairs means that it can identify 'chains' of areas which may not, in their entirety, have a very high level of internal coherence (as measured by self-containment). This feature is more likely to affect results as the process reaches lower levels of tally scores, and so groupings based on tally scores of 10 and under are likely to be less reliable as an indicator of coherent groupings of areas.

2.7 Strength of Linkages

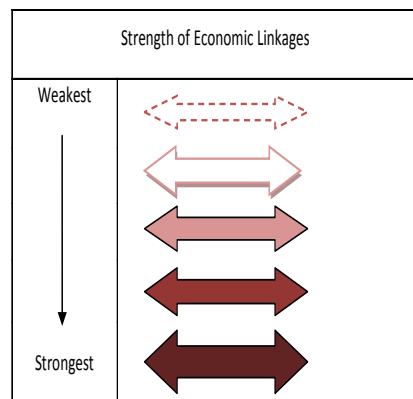
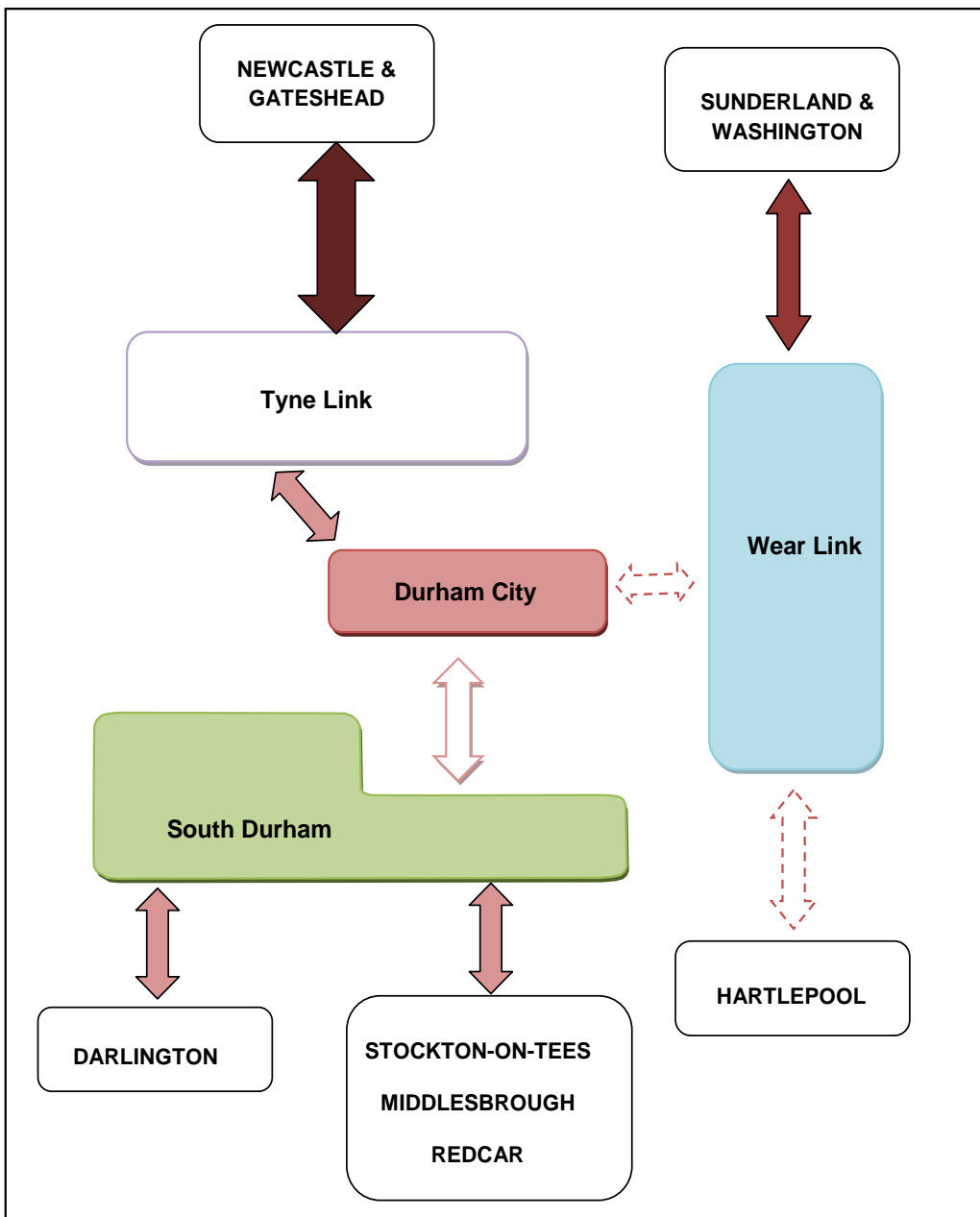
Following analysis of functional economic linkages and consultation with stakeholders this conceptual diagram has been developed in order to illustrate the strength of linkages with the four FEAs in County Durham and other parts of the region. Figure 2.6 seeks to answer the question - how strongly is County Durham linked with other major towns and cities in the region?

Analysis presented in this report uses a tally score threshold of 11 points in order to determine whether or not two places are economically linked. This diagram provides a little more detail in order to provide a deeper understanding of the strength of linkages between County Durham and the rest of the region. This analysis therefore ignores the fact that northern parts of the County are part of the same functional economic area as NewcastleGateshead; and Sunderland/Washington.

The diagram highlights the following:

- Durham City is more strongly linked to the North and to the East than it is with the South of the County.
- Linkages within County Durham are not as strong as one might expect.
- Linkages with the Tyne and Wear City Region are far more significant than those with the Tees Valley, indeed linkages with the Tees Valley are not as strong as one might expect.
- As a key destination point for visitors to the region (a function of both its place on the East Coast mainline and its key attractions such as the World Heritage Site) Durham City has the potential to develop stronger linkages with other parts of County Durham.

Figure 2.6 Flows and Linkages – An Overview



3 The Functional Economic Areas in Profile

The purpose of this Chapter is to provide information on the characteristics and the development strategy of each FEA. They are assessed in relation to the priorities in County Durham’s Regeneration Statement, analysing where the County’s distinct economic geography supports the policies outlined and any areas of difference.

3.1 County Durham’s Role in the North East Economy

We begin by providing the spatial context and provide an overview of the pattern of growth and development experienced by County Durham, relative to the North East region.

County Durham is located in the North East of England, between, and with areas that are part of, the Tyne and Wear and Tees Valley LEP areas. The North East is one of the poorest regions in the country. The evidence base assembled for the last iteration of the Regional Economic Strategy highlighted the need to accelerate economic growth, prioritising activities in areas of potential opportunity and competitive advantage. In this regard it specifically recognised the vital role of cities and their hinterlands – city regions – in growing the region’s economy faster.

Table 3.3 Regional Transformation Interventions and Corporate Programmes¹⁹

Action Plan Transformation Interventions	Regional Programmes (2007-2012)
Building a new enterprise surge	Enterprise Leadership Promoting the Region
Boosting productivity and innovation	Enterprise Innovation Business
Creating 21 st Century digital and transport communications	Business Innovation Quality of Place
Developing skilled people and inclusive communities	Skills Economic Inclusion Enterprise
Investing in the economic hearts of the region	Quality of Place Business

While acknowledging the opportunity to locate some types of knowledge based businesses in rural areas, the evidence indicates that cities are the ‘engine’ of regional economies and that in the North East both Tyne and Wear (centred on Newcastle) and Tees Valley (particularly the Darlington – Middlesbrough corridor) accounted for the majority of the region’s economic growth between 1995 and 2001. There is an opportunity, therefore, to capitalise on the strengths of these two ‘City Regions’ through a focus on practical steps that would accelerate their economies still further, providing for the increased prosperity of the whole region.

County Durham has a polycentric settlement pattern with no city of an equivalent size to those in neighbouring local authorities. The main urban area is Durham City and there is a network of smaller industrial and former mining towns, dispersed across the east of the County and its northern fringe. Traditionally many of these towns were fairly self-contained, with people generally living near to where they work, but decline in traditional industries has led to a greater need for travel. The County has been described as presenting urban issues within a rural setting. The West of the County has large, sparsely populated upland areas. The major service centres in the County comprise Durham City, Peterlee, Consett, Newton

¹⁹ Source ONE Corporate Plan, 2007-12

Aycliffe, Chester-le-Street and Bishop Auckland. These settlements contain over 10,000 households. Other main towns are Seaham, Spennymoor, Stanley, Shildon, Crook and Barnard Castle with households ranging from 2750 to 7470. These twelve centres contained just over 50% of the County's households in 2001.

The County's traditional economic base was in manufacturing, mining, and in the rural areas, land-based sectors, which have declined significantly, in recent decades, as a result of national and international economic restructuring. Due to the extent to which manufacturing and traditional industries dominated the County's economic base, the adverse effects of restructuring have been particularly severe. While the North East's economy performed well up to the recession, posting strong growth in output and employment in recent years, County Durham's economic performance has been generally below average for the region.

- County Durham's underlying economic structure remains relatively low value, with a continued manufacturing dependence and low representation in key growth sectors such as business services.
- While employment growth in East and North Durham, notably in the service sector, has outstripped reductions in manufacturing employment, the west of the County has performed less strongly, with employment and economic participation contracting, principally as a result of declining manufacturing employment.
- The socio-economic base shows an above average proportion of the population in lower level groups, but with higher managerial and professional workers resident in Durham City and North Durham.
- However educational attainment has improving markedly in recent years, with strong performance in Durham City.

The County has had only limited success in developing a new economic base of growing services and knowledge-based sectors. In the most part, the County has not yet developed the competitive advantage necessary to succeed in an increasingly knowledge-based economy.

The impact of the recession on County Durham's economy has also been significant, leading to the following:²⁰

- Lower skilled occupations continue to make up the majority of the unemployed JSA claimants, with almost half of these coming from either elementary occupations or process, plant and machine operatives.
- The major geographical impact of redundancies to date has been experienced in the Sedgefield and Easington localities.
- Generally, the local economy is becoming more heavily skewed towards lower value added services.
- Recruitment is expected to recover more slowly than output

3.2 The Functional Economic Areas – an overview

Measures of prosperity, employment, productivity and deprivation differ significantly across the four distinct geographical areas of County Durham. While Durham City is characterised by high employment rates and high workforce skills, there remain a number of underperforming areas, with a higher incidence of deprivation. Substantial disparities within functional economic areas of the County give rise to the typologies outlined in Table 3.4

Table 3.4 County Durham Functional Economic Areas

FEA	Description
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²⁰ Durham Local Investment Plan (2010-2015), Homes and Communities Agency and Durham County Council

Durham City	A relatively wealthy core, without strong linkages with any other areas, delivering much of the County's economic performance. Characterised by relatively high productivity, economic activity and a high skills profile. Relatively good infrastructure and connectivity but with substantial congestion on existing road networks
South Durham	Includes a largely rural area, with well established market and county towns providing focal points around which economic activity may cluster and spread. Networks more effectively developed in the East than in the West. Includes a minority highly skilled commuter workforce but with pockets of deprivation (including in the domains of housing and access to services, due to variable infrastructure, especially for non-radial movements) and a dispersed pattern of rural deprivation
Wear Link	A less prosperous periphery, with towns that have had mixed success in reinvigorating themselves. Characterised by low productivity relative to the rest of the County, generally lower economic activity and employment rates. A low proportion of employment in knowledge based sectors, including lower value added manufacturing
Tyne Link	An area with urban centres offering strong economic potential, in part due to strong economic links to Tyneside, accounting for around a quarter of the County's employment and business stock. Evidence of increasing business density and business start-up rates, with signs of growth in services and more resilient manufacturing activity

In subsequent Sections of this Report we analyse the economy of each area, in terms of the extent to which growth in productivity can be enhanced to address underperformance and minimise pressure on infrastructure. There is a pronounced skills dimension to our analysis. Skills are critical not only to enhance the productivity of the County but also to achieve an inclusive society. The County as a whole performs poorly in terms of the percentage of qualifications at medium or high levels. This clearly affects productivity as higher level skills are required for an increasing majority of jobs as the effects of the knowledge economy begins to filter through the economy. But it is important to recognise that these are not the only issues facing the County's economy. As is shown below, there are several drivers of economic success:

- high levels of research and development and innovation;
- high levels of capital investment in plant and equipment;
- a high quality public infrastructure, including communications and transport;
- readily available sources of patient and knowledgeable capital; and
- a domestic market for goods and services that demands high levels of product quality, specification and customisation (and a domestic income distribution and public purchasing policy that can support this).

Unless the County Durham economy is characterised by those drivers listed above, higher levels of skill supply may have very limited effects on economic outcomes. Skills can support a more productive economy, but on their own are fairly unlikely to create one. The key message emerging here is that the County must use skills better, being more responsive to a higher order demand side. This means supplying more skills and simultaneously seeking to help firms to move up market, become more profitable, increase productivity, develop new markets and organise work differently. In particular, the County needs to focus efforts on interventions which take a holistic view of the workplace, with interventions needing to impact on:

- product market strategies;
- goods and service quality and specification;
- investment strategies (plant, R&D, product development);

- production/service delivery systems;
- employee relations;
- work organisation; and
- job design.

In Chapter 4 we further elaborate on these issues. In the following Sections we outline the statistical evidence underpinning the economic performance of each FEA.

3.3 Durham City

At the heart of the North East, Durham City is an important population centre, employment location, visitor destination, transport hub and University City. It is a focal point of economic and cultural activity and stands out as a key economic driver for the County and wider region. Durham City has a population of approximately 42,000, equating to just 8.5% of the County's resident population, with 30% of the City's term-time population composed of university students. The City's unique character and setting, centred on the internationally renowned Cathedral and Castle World Heritage Site, combined with Durham City's importance as an administrative, educational, employment, service and tourist centre, belies its relatively small size.

Its location is also close to the main north-south axes of communication through the North East and between the two City Regions. This also makes it ideally located as a commercial centre, with over 1 million people of working age living within 45 minutes drive of central Durham City.²¹

These functions give rise to a variety of economic activities, extending beyond the City, and encompassing:

- activities associated with or deriving from the University (e.g. provision of world-class facilities for research, education, administration and community and cultural engagement);
- the visitor economy, focussed on spend and movement linked to the Cathedral, the Castle and Prebends Bridge, leading to increasing employment in tourism;
- retail and other services, primarily meeting the demand from the City and its immediate catchment area; and
- the role played by institutions based in the City, notably in administration and health, located to the north, and significant office and industrial premises

Durham City's role as a key economic driver for the County is fully recognised in Durham County Council's Regeneration Statement. It states that:

*At the heart of the North East, Durham City is an important population centre, employment location, visitor destination, transport hub and University City. It is a hub of economic and cultural activity and stands out as a key economic driver to the county and region and symbolises the economic potential and opportunities available.*²²

A summary of headline indicators for the FEA is provided in Table 3.5

Table 3.5 Durham City FEA Headline Statistics

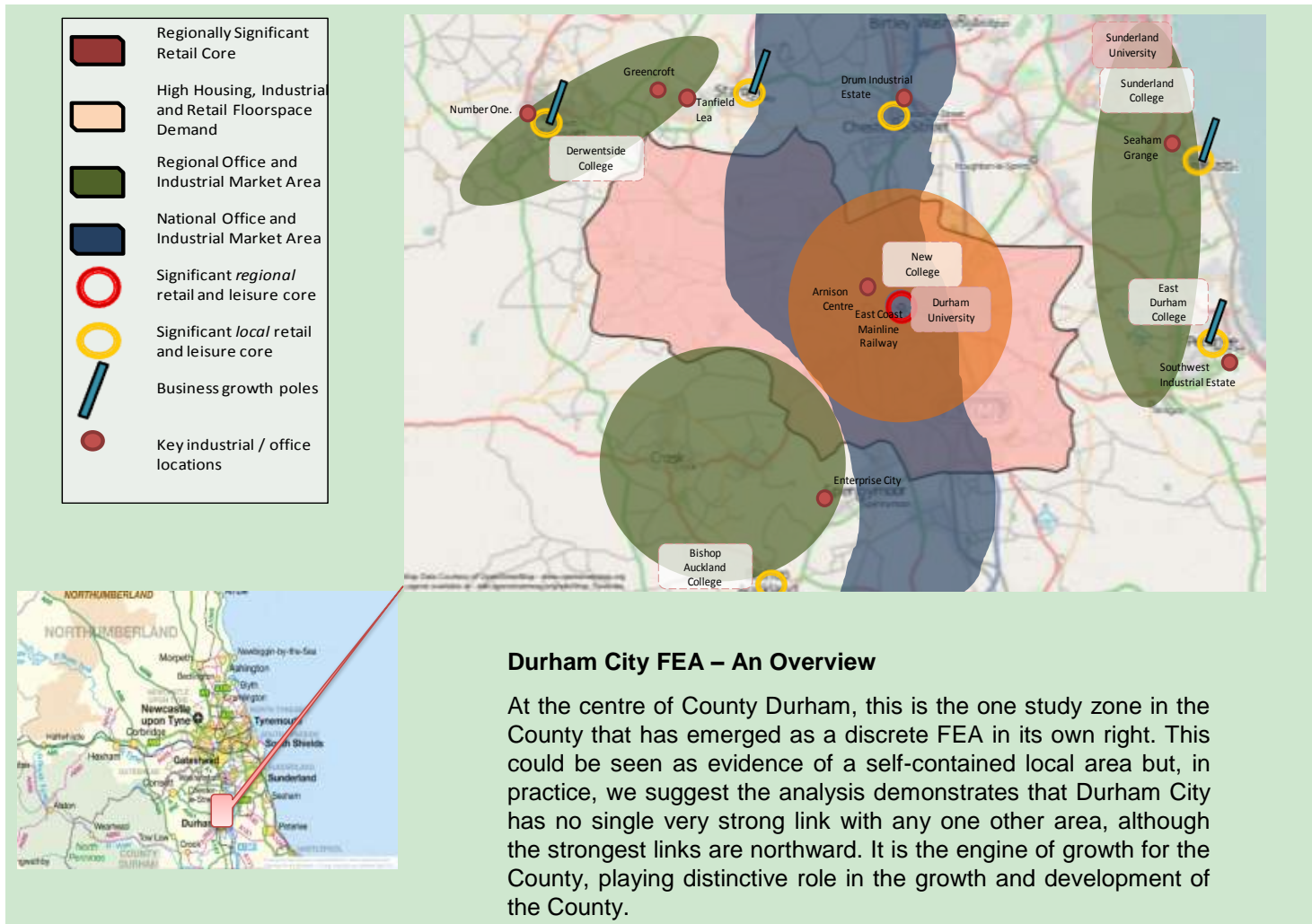
Population	42,000
% of County Durham business base	21%
% of County Durham employment	29%
% of residents below NVQ Level 2	10%

²¹ County Durham Labour Markets Assessment 2005, cebr, January 2006

²² Durham County Council, Regeneration Statement, January 2010, page 10

% of residents with NVQ Level 4	40%
Sectors with greatest employment:	Public Administration and Education; Tourism; and Financial and professional Business Services.
Major Centres	Durham City

Figure 3.7 Durham City Functional Economic Area



3.3.2 Breakdown of Economic Flows and Linkages

The following sub-sections provide analysis of various flows which have been used to establish the FEAs for the County (i.e. they illustrate the 'building blocks' of the analysis, with each element forming one part of the overall assessment). A full outline of each of these issues and analysis at the County level is contained in Chapter 2 of this Report.

Labour Markets

Labour Market Analysis was undertaken for: Travel to Work Areas; Low Skill Labour Market Areas; and High Skill Labour Market Areas.

Figure 3.8 illustrates the Travel to Work Area for Durham City. This analysis highlights that the Durham FEA is a key employment centre for the County with the strongest labour market linkages with the Tyneside. This map does not suggest that there are *no* linkages with the South of Durham. Rather it highlights that the linkages are *stronger* to the North.

Figure 3.8 The Durham City FEA and Travel to Work Areas

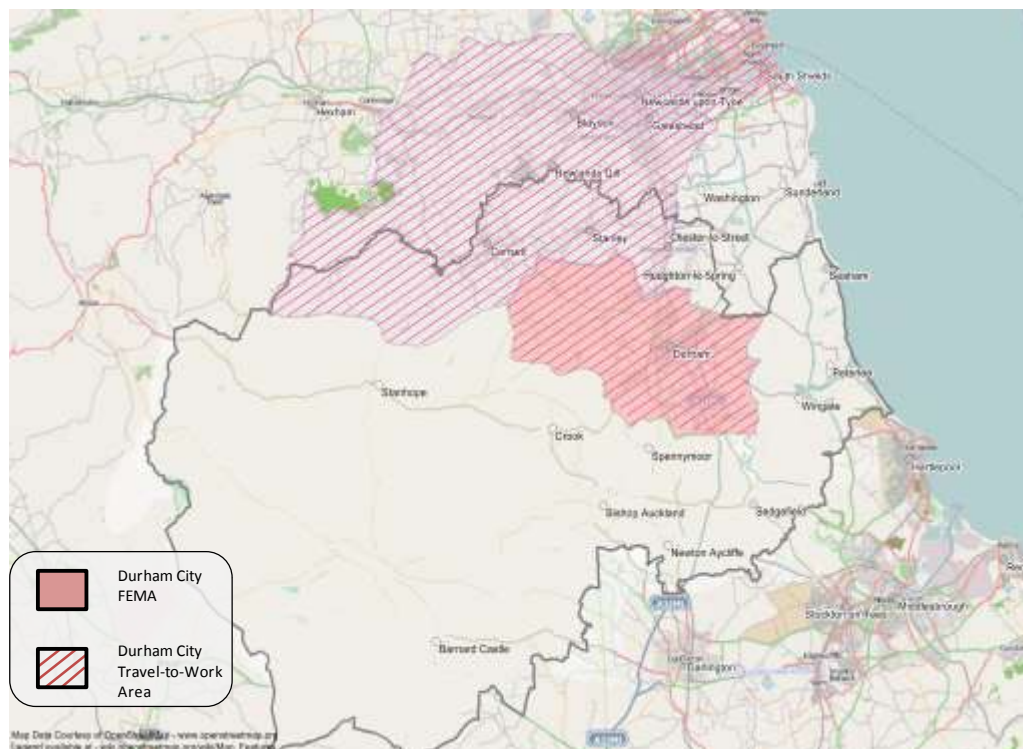
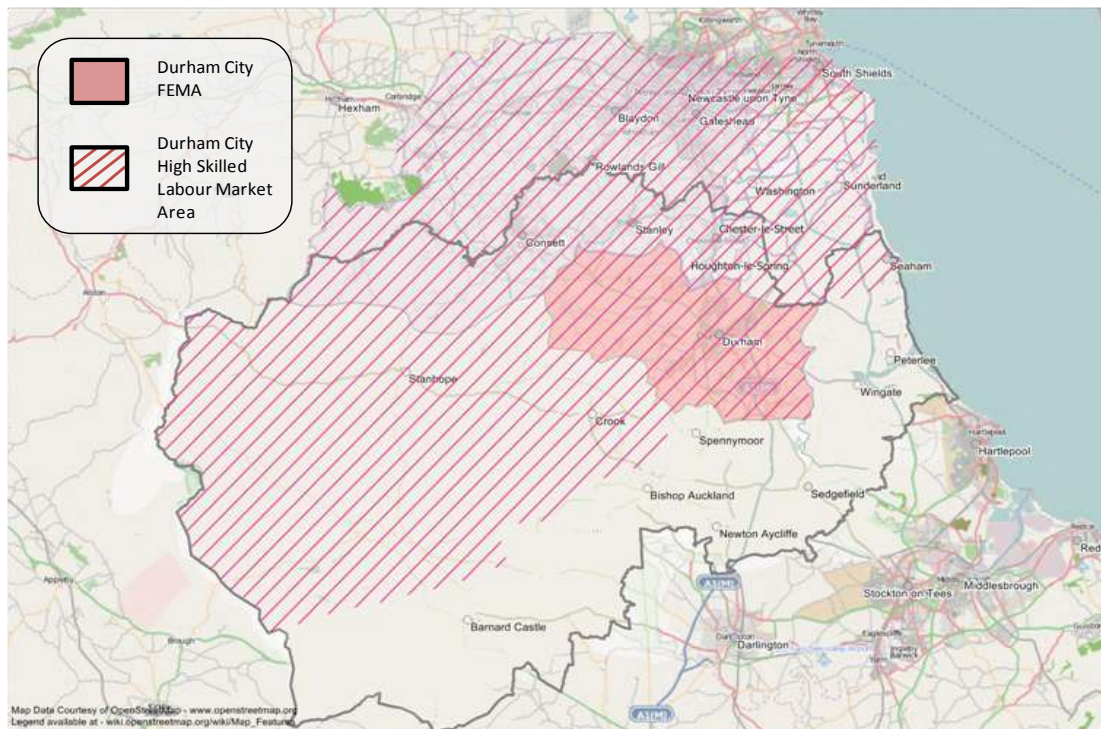


Figure 3.9 extends the analysis, highlighting the significance of the Travel to Work Area for higher skilled professions in isolation.

Figure 3.9 The Durham City FEA High Skilled Labour Market Area

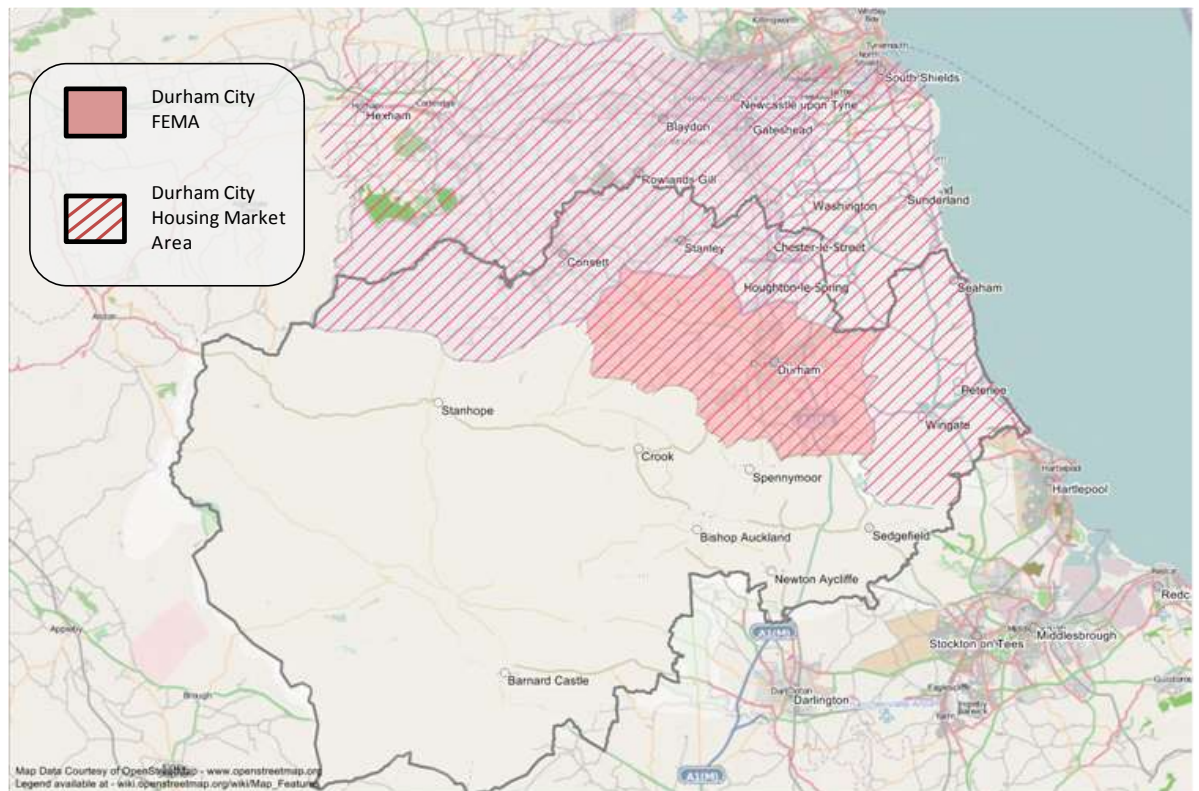


As one would expect, it expands the area of analysis, as higher paid professions are generally more willing to travel further to access employment. It illustrates that the labour market area extends to the east and incorporates the coastal area of East Durham and continues up into Sunderland and Washington, highlighting the significance of Durham City as a hub for knowledge-based, high value added industry. Significantly, it is also a major public sector employer - many of these commuting flows may therefore be public sector jobs, which have grown over the last ten years but may now be vulnerable to public sector cuts and changes to service delivery. Additionally this picture may be a function of a lack of affordable housing to the south of Durham City.

Housing Markets

The Durham City FEA housing market area follows a similar pattern to the labour market profile presented above. It highlights strong links to the north of County Durham, which span the local authority boundary and link with the NewcastleGateshead parts of the Tyne and Wear City Region. However, stakeholder and business interviews carried out for this study suggest that there are softer cultural differences between the areas of Chester-le-Street, Consett and Stanley which mean that they do not necessarily identify so readily with areas in East Durham, and are therefore less likely to move between these areas as they are between each other and the Newcastle/Gateshead area.

Figure 3.10 The Durham City FEA Housing Market Area



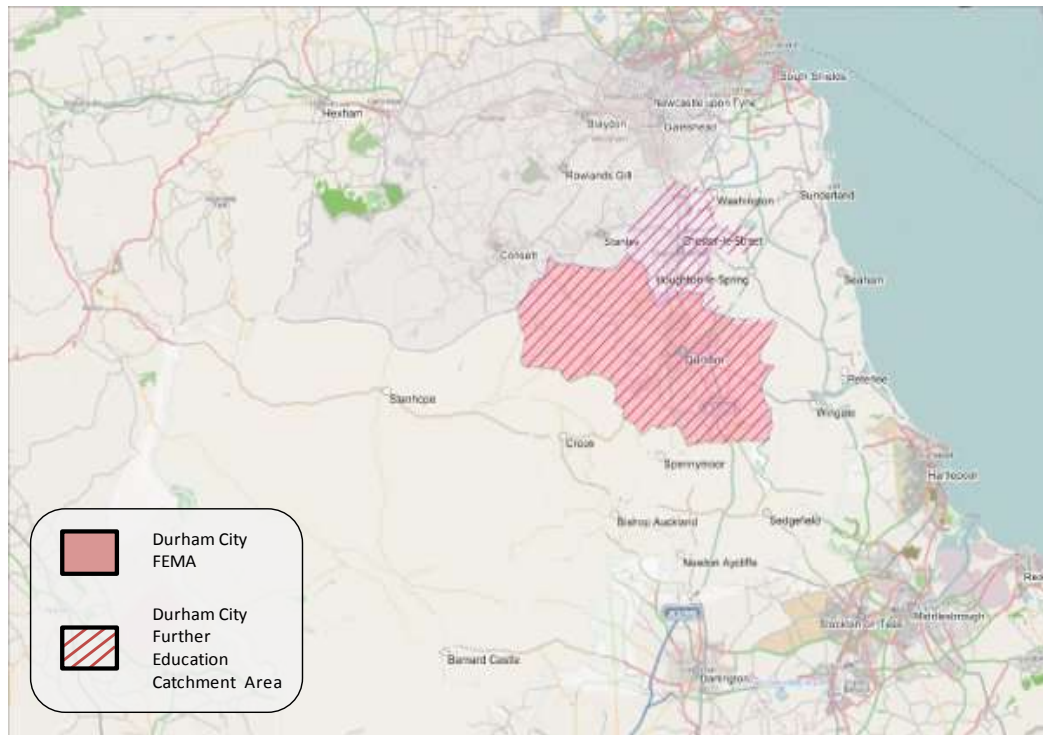
Producer /Consumer Markets and Communications

A full description of our approach to the analysis of producer markets is contained in Chapter 2 of this Report. In summary, the Durham City FEA exhibits no significant linkages in terms of Business Fora with other areas of the County Durham or Tyne and Wear City Regions.

Relative readership of regional morning newspapers also formed part of the analysis in this policy domain. In contrast to other areas of the analysis, this links the Durham City FEA with the South of the County. It is also worthy of note that linkages extend south of the County boundary, linking to the Tees Valley. Only Chester-le-Street, Consett, Stanley and Easington North are not linked with the rest of the County in this respect.

Figure 3.11 illustrates the catchment areas for students (aged 18+) of Further Education Colleges. This is significant because it illustrates that the catchment area for further education extends to the north of the County, to the outskirts of the Tyne Wear City Region. We suggest that public transport links are strong enough to prevent County Durham residents from having to access provision in Tyne and Wear.

Figure 3.11 The Durham City FEA Further Education Catchment Area (18+)



3.3.3 Business and Employment:

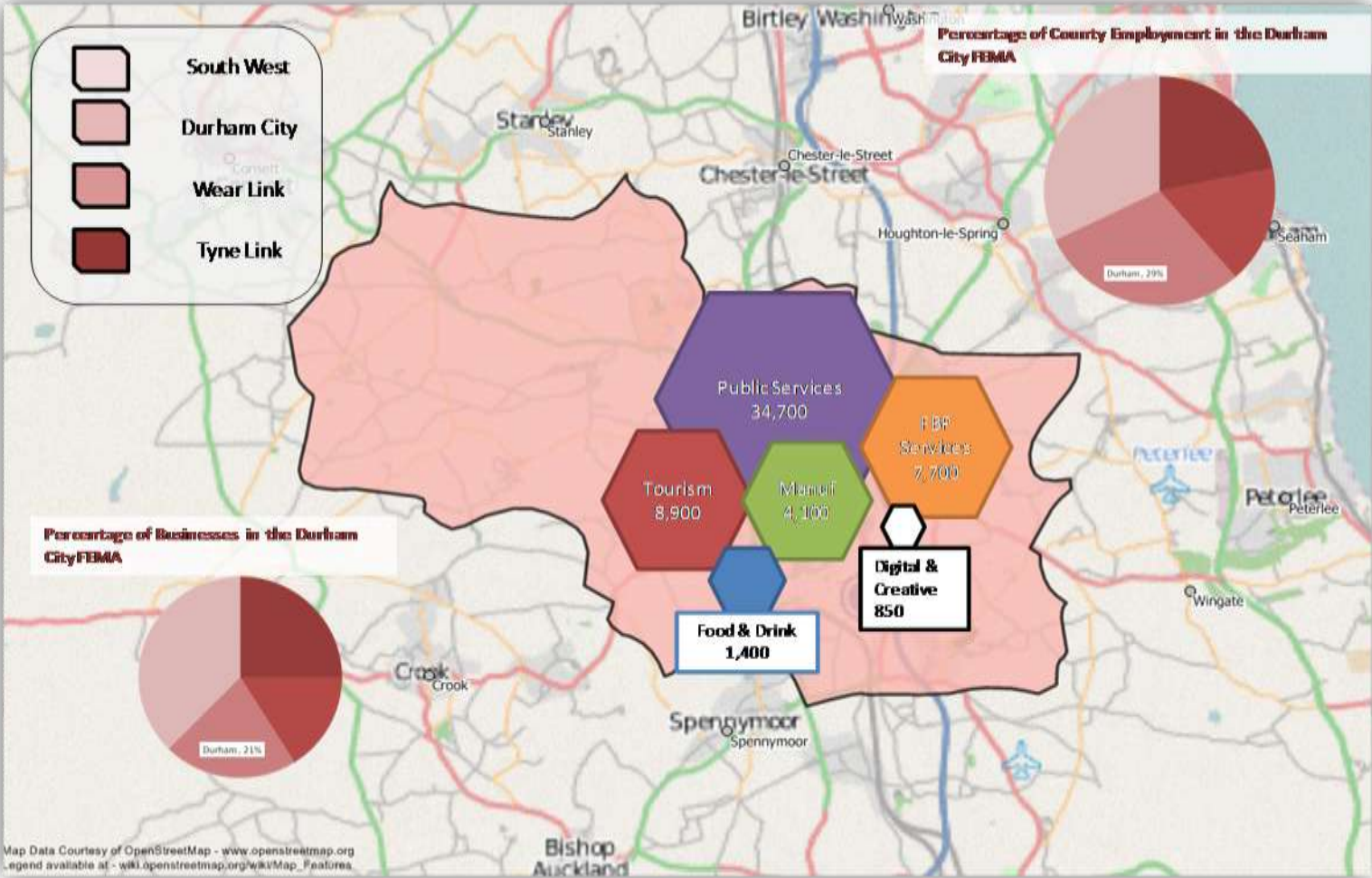
Compared to other parts of the County the local economy of the Durham City FEA is comparatively diverse, with a higher representation of employment in the service sector. This is understandable given that the city does not contain large business park/industrial estate sites and premises which are most suitable for manufacturing activity. The central location of the City makes it a prime location for public and private sector employment, including head offices. The University of Durham is an important factor within the development of the local economy, being one of the country's most successful science-based research establishments.

The Durham City FEA is responsible for 29% of all employment in County Durham and 21% of the County's business stock. However, recent research suggests that this FEA has lower levels of businesses and of new openings than might be expected given its locational advantages. Research suggests this may be due to:

the extremely high concentration of public sector employment in the city, which are typically larger organisations, and which may – to an extent – 'crowd out' new private sector formations due to the relative abundance of relatively highly-paid jobs in a fairly small area²³

²³ Business Base and Entrepreneurship Profile, Durham University (2010)

Figure 3.12 Durham City Business base and Key Sector Concentrations



In addition to the significance of public administration and educational institutions, which account for 44% of all employment in the FEA (35,000 employees), other features of the FEA include:

- The most significant employment growth has taken place in the tourism sector, with employment levels doubling since 2000. It is likely that this has been centred on the expansion of the city centre leisure offer and business growth related to increased visitor numbers at the World Heritage Site.
- There has also been significant growth in employment in financial, professional and business Services in this FEA, with significant potential for growth in creative and digital industries.²⁴
- Employment tends to be high value added, knowledge-intensive activity, based around regionally important office space in the FEA, rather than the contact centre and lower value added business activity seen in East Durham.
- The Durham City FEA has exhibited relatively strong small business growth, despite recognised restrictions on business space and high rental costs.
- In terms of inward investment, data suggests that the FEA has attracted financial and business service related inward investment and jobs related to advanced manufacturing, although there anecdotal evidence that further growth could be unlocked should the constraints on sites and premises be overcome.

3.3.4 People

Over the last 25 years, and most significantly since 2001, the population in the Durham City FEA has increased by 4.9%, a more sustained increase than experienced in other parts of the County, which only experienced population increases since 2003. International migration to County Durham is highest to Durham City, reflecting the significant influence of the University.²⁵ The population's age profile is also significantly different from other FEAs, with strong growth in persons aged 20-34.

The FEA includes the largest clusters of home workers, who are clustered around the centre and outskirts of Durham City Centre. Whilst the majority of home based businesses are relatively small and young, these businesses are predominantly in key sectors for further growth and development.²⁶

Significant features of the FEA include:

- It has a significant level of highly skilled labour compared to other FEAs. The high numbers qualified to NVQ Level 2 underpin and provide support for the high number of residents in the city in graduate level positions.
- Predicted future skills requirements for the FEA illustrate that companies will require higher level skills in future. Over 20% of employees surveyed during the County Durham Business Survey, conducted as part of the Sectors Study in 2010, reported that their demand for graduate level employees will rise in the next three years, compared to less than 10% reporting that demand for Level 2 skills will increase.
- The skills, abilities and attitudes of the FEA's workforce are critical to the future economic success of the County as a whole and will underpin the move to a more knowledge-intensive economy. In this respect the FEA clearly benefits from the presence of a world class asset, the University of Durham.

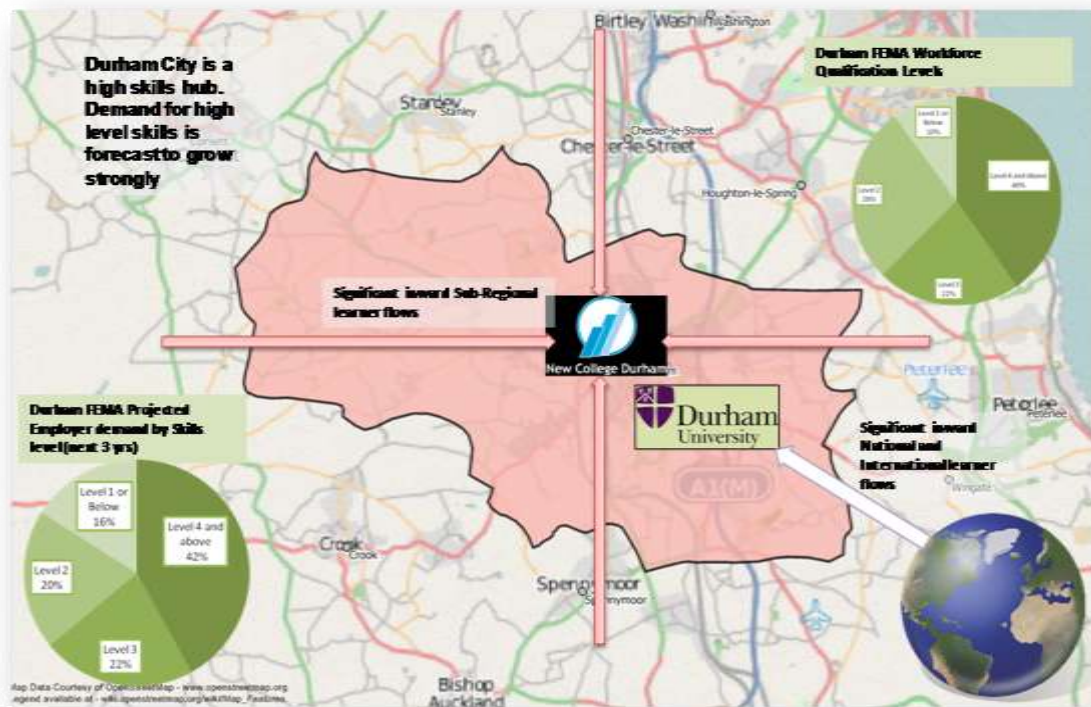
²⁴ Tyne and Wear City Region Economic Review, Economic Geography, Linkages and the Low Carbon Economy Executive Report (August 2010)

²⁵ County Durham Strategic Housing Market Assessment, Final Report (October 2008), GVA Grimley

²⁶ The Impact and Potential of Home Working in County Durham, Draft Final report, Tribal Consultants (July 2010)

- Public sector employment more than doubled between 2000 and 2007.²⁷ The FEA is vulnerable due to the major concentration of public sector employees to be found in the City, with levels of employment in the public sector being around 40% (compared to between 17 to 25% of total employment in other FEA).
- The FEA exhibits relatively low levels of worklessness compared to other areas of County Durham and the wider region. Areas to the immediate north, bordering Stanley and Chester-le-Street, and to the east contain a high proportion of the working age population who claim benefits. These areas do not seem to act as a drag on the Durham City FEA's economy but they may have implications for future growth and development in the FEA.

Figure 3.13 Durham City: Skills Development and Key Learning Hubs



3.3.5 Place

At the centre of the FEA, the City of Durham is the County's largest urban centre. As one of the most economically buoyant areas of the County, it is a focal point for large residential areas, important retail and service centres. The A1(M) and the East Coast Main Line are key assets, being the main north-south routes within the North East. The Durham City World Heritage Site is an important asset in terms of the national and international profile of the County, raising the prospect of attracting additional tourism and inward investment to the County. In addition to its outstanding architectural and townscape legacy, Durham City has a number of small museums, a botanical garden and a newly opened theatre, providing an attractive 'cultural offer'.

Significant features of the FEA include:

- House building activity has accelerated significantly in County Durham over the last five years, with evidence of enhanced delivery of housing through housing completions until the onset of the credit crunch and recession.

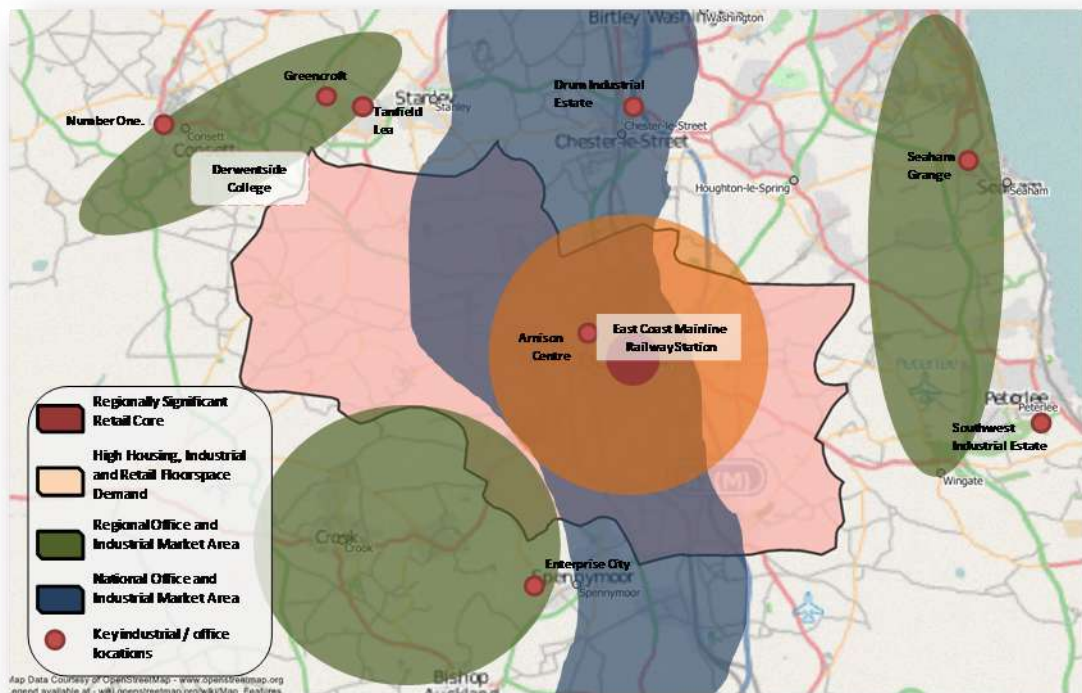
²⁷ Durham Key Sector Implementation Plan, Adroit for Durham County Council (2010)

- The FEA has higher than average property values compared to other comparable areas.²⁸ Consultants found anecdotal evidence (in 2008) that the market for flats had become saturated and, at the other end of the housing spectrum, there has strong demand for large detached housing.
- Durham City is a major shopping and leisure hub for the region, attracting visitors from the Tyne Link and South Durham FEAs. Our analysis suggests that residents in the east of County Durham are not well connected to Durham City, preferring to follow the route of the A19 and access Sunderland/Washington and Hartlepool.
- Significant shopping and leisure outflows are also evident to Gateshead/Newcastle and Sunderland, reflecting a more diverse and, it is suggested, higher quality leisure and retail offer in those areas.
- In common with other FEAs, Durham City has generally short travel to work distances. However the City does have a higher proportion of in-commuting of over 30 miles than other FEAs, a reflection of the higher skilled and well rewarded jobs available in the City.
- This strength is supported by the nationally significant office and industrial market area, formed around the A1, which penetrates the FEA. This provides opportunities for rail-freight and other types of distribution using the A1 and A19.
- However, the County Durham Economic Partnership Employment Sites and Premises Study (2008, DTZ) notes that in the last 3 years private sector demand for (and development of) employment land has been strongest in sites adjacent to Durham City and the A1(M) corridor areas which have a limited supply of developable land.

In summary, the Durham City FEA is the major asset for the County and the wider City Region, providing an attractive alternative to the urban core of NewcastleGateshead, complementing the major employment sites found in Sunderland and north Durham. The University has a major role to play in the future growth and development of the County and region. The Durham City Vision sets out a long term strategy to capitalise on the City's assets, and this should continue to have a high priority.

²⁸ County Durham Strategic Housing Market Assessment, Final Report (October 2008), GVA Grimley

Figure 3.14 Durham City: A Key Regional Development Hub



3.3.6 Constraints and Challenges

The Durham City FEA will play a significant role in improving economic performance and encouraging investment and enterprise, creating additional employment opportunities across the North East. It is able to build on considerable strengths, including a well educated population, with a high percentage of residents qualified to level 4 or above. It contains increasing numbers of residents employed in professional occupations, including the financial, professional and business services sector, which now makes up almost 10% of total employment in Durham City. This leads to relatively high average wages, certainly when compared to other FEAs in the County, and the rest of the North East. Significant employment land is also focussed in Durham City. This is due to the presence of large existing employment areas which have grown due to their locations close to the A1 and A19, or proximity to large conurbations.

This economic growth and development is, potentially, then available to the population of other FEAs:

- the City has a larger accessible labour market than Middlesbrough and Sheffield - over one million people of working age live within 45 minutes drive of central Durham City;²⁹
- extending the range of the working age population within 60 minutes driving time, Durham City has a labour market greater than Newcastle and Middlesbrough.

The potential for the Durham City FEA to drive growth and development beyond its borders is there for all to see.

The Regeneration Statement acknowledges the constraints and challenges facing the FEA if it is to achieve its potential, notably the need:

- for an expanded role as a retailing centre, expanding the scale and offer available, enhancing its wider sub-regional role;

²⁹ County Durham Labour Markets Assessment 2005, cebr, January 2006

- to build a 'critical mass' of employment, population and visitors to become a city of regional, national and international significance;
- to enhance the City's housing offer – the housing profile of the FEA does not maximise its potential - to provide a better mix of housing for its existing population whilst meeting new demands (i.e. the lack of executive housing to draw in high earners and wealth-creators³⁰); and
- to invest in a modern central business district, overcoming topographical and land availability constraints (i.e. while the FEA has many strengths, development pressure means that much of the area is now protected by greenbelt land).

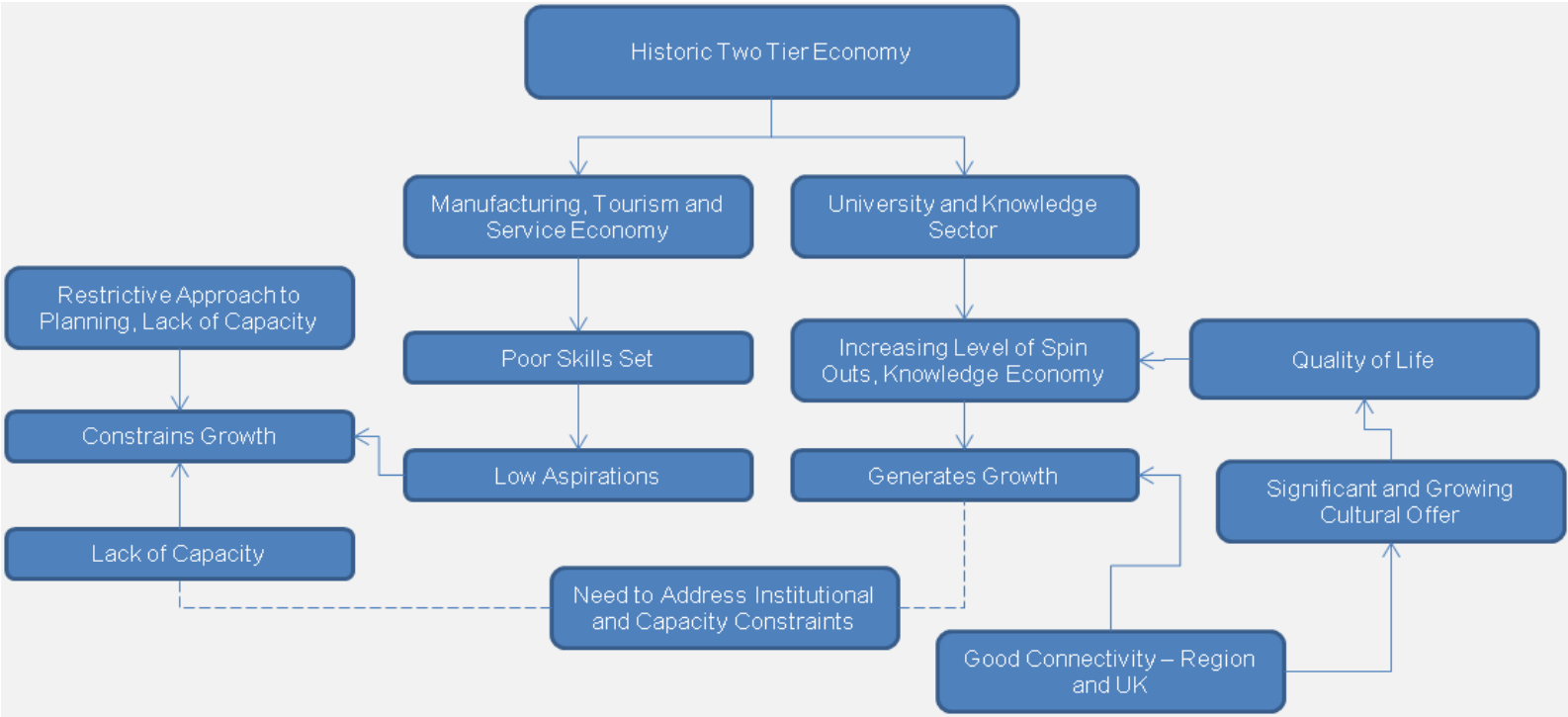
3.3.7 Future Directions

When describing the causes of the prevailing economic circumstances in each FEA, recourse was often made to a discussion of multi and inter-related causes and events. These discussions have been translated, in this and in other Sections, into the highly simplified causal diagrams – see Figure 3.15. We suggest that the following areas should be the focus for investment and the commissioning any new programmes:

- skills – completing restructuring and maintaining the focus on higher level skills;
- integrating the cultural offer with the wider place and skills agendas;
- spreading the benefits of private sector investment through a quality urban place project to improve amenity value and the local offer.

³⁰ Durham County Council, Total Place Pilot Housing and Regeneration in County Durham, February 2010, page 4

Figure 3.15 An Overview of the Durham City FEA Economy



A strategic and comprehensive approach is needed in order to address the challenges and diverse potentials facing Durham City, through a variety of locally driven approaches which will achieve critical mass and local focus. These must address social and environmental frameworks as well as economic opportunities, embracing new interventions beyond the traditional ones of physical renewal and community support.

One clear observation that can be made in reviewing the retrospective data and current projections is that the Durham City FEA is about to enter a new phase in its economic and social development. Essentially, there is likely to be diminishing returns on those conventional regeneration interventions that have been implemented since the early 1990's. Economic development frameworks are required to move in their balance of strategies and initiatives from demand to supply side initiatives. The next few years will see a range of endogenous and exogenous factors converge to pose a range of 'new' economic challenges:

- a need to move from pursuing employment growth per se, to seeking to promote the development of higher value employment sectors along with increased productivity and progression amongst the local workforce;
- move the main human capital investment focus, over time, from basic skills, NVQ1 and 2 to encouraging pathways for progression and facilitating the emergence of a new 'norm' of NVQ 3 and particularly NVQ 4, amongst both young people and the existing workforce;
- increasing investment in developing and maintaining a high quality environment in terms of accessible cultural and recreational amenities and resources, green and natural spaces along with desirable places to work and live;
- facilitating the emergence of knowledge based economy locally, including the growth of higher education (both locally based and distance learning), investment in applied research, knowledge transfer, new enterprises/clusters, high value investors, internal networks and external linkages;
- clear social inclusion frameworks which put in place dynamic and innovative mechanisms to avoid the emergence of forms of exclusion as the thresholds for economic and social inclusion increase across several key markets e.g. labour and housing.

There is now strong evidence that the most competitive localities under the intensifying challenges of globalisation are those that have developed the strategic capabilities to navigate this complex environment.

The next iteration of the County Durham Economic Strategy should focus on facilitating the shift to this new approach, to enable the Durham City FEA to maintain a more dynamic and inclusive knowledge based economy. The means of achieving this step change include:

- **Development of a wider world class tourism offer:** In line with the aspirations of the World Heritage Site Masterplan, Durham Cathedral and Castle, and the historic city as a whole, the FEA could attract many more and higher value added visitors to the County (i.e. increasing the number, spend and duration of visitor stays in the County). This could be achieved through more active marketing of the City, the expansion of events and festivals based on the unique history and traditions of the City, attracting business visitors and a coordinated joining up of the tourism offer across the region.
- **Maximising the impact of Durham University *within* the County:** A new enterprise surge, through the continued development of University Enterprise at the University of Durham could capitalise and embed more of the quality academic research output from the University. Progress has already been made in this respect utilising the NETPark site at Sedgefield and through the Virtual NETPark initiative. Many companies interviewed as part of this study have found this a useful initiative. Continued support will clearly be of benefit for the Durham City FEA and wider County;

- **A stronger sector focus:** Growth of priority sectors including knowledge intensive business services (which has witnessed strong growth in the County), through the development of an enhanced business district with improved office accommodation and managed workspace for businesses in the creative industries will contribute to the growth of Durham City.
- **Talent Attraction and Retention:** Attracting and retaining skilled people through the provision of an enhanced quality of life for residents, students and visitors, and the development of a wider range of high quality employment opportunities is a central objective of the Sustainable Community Strategy, and is recognised in the Regeneration Statement. This should remain as a guiding principle behind economic development in the FEA.

Finally, public expenditure cuts are inevitable following the Comprehensive Spending Review and the public sector will need to shrink. Significant parts of the public sector (including health, despite some protection) will face annual spending cuts that exceed twenty five percent in real terms during the period 2011-14. While flexible working and wage freezes will provide some of the savings required, job losses are inevitable. In the case of Durham City, the employment base is maintained through the large public sector presence and the University. Durham County Council and partners need to understand the impact that reduced public sector employment will have on the economy of this and other FEAs and prepare for the consequences. One implication will be the increased importance of facilitating low and mid-skilled employment growth in the private sector.

Table 3.6 presents some suggested key actions for the Durham City FEA.

Table 3.6 Durham City Key Actions

Durham City		
Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Extend the international reach of Durham City through working with the UK Trade & Investment to assist in attracting new research and development investment into the County through encouraging international collaborations with the University.	Build collaborations between international research and knowledge intensive companies/ clusters involving development of a research excellence directory as a communications tool to promote the region's knowledge base and business strengths, both nationally and internationally.	National Led by the CDEP with UKTI
Work with all of the regions universities to increase the rate and extent to which companies in the County access and exploit opportunities to improve competitiveness and productivity through new flexible Knowledge Transfer Partnerships.	Deepen the relationships between business and knowledge base, increase the level of opportunity in knowledge based employment for the regions graduates.	Regional Led by the CDEP with the region's universities.
Continue to develop the tourism offer through the World Heritage Site Masterplan and encourage visitors to access other major tourism attractions in the County, such as Beamish Museum, Bowes Museum and the Durham Dales.	Continue the growth and development of Durham City as a major leisure and tourism hub for the region.	FEA-focussed Led by the CDEP Place Development Group
Increase the scope of Durham City's economic performance through planning policy which enables high quality industrial/commercial and a mix of housing development.	Increased knowledge intensive employment in County Durham and increased travel to work flow to the county from neighbouring local authority areas.	FEA-focussed Led by the CDEP Place Development Group
Research, identify and then focus on priority market led technologies, sectors and companies through understanding the required contribution of key sectors, and therefore the scale of required support.	Increased growth in key sectors and higher employment of graduates in key sectors.	Countywide Led by the CDEP Business and Enterprise Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	Retained employment in knowledge-intensive sectors on NETPark and increased "lock-in" to the County from other companies involved in virtual access to the knowledge base.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP

3.4 Tyne Link

At the north of County Durham, the Tyne Link FEA is the area of the County with the strongest links with neighbouring local authority areas. The FEA comprises major settlements within the County of Chester-le-Street, Stanley and Consett which link with major settlements and the key regional economic drivers of Gateshead and Newcastle upon Tyne to the north. Study analysis shows that significant economic connections exist but only within Tyneside, they are weaker with Wearside.

The role of Stanley and Consett is recognised in the County's Regeneration Statement as part of a network of vibrant and successful major centres. Additionally, links with the Tyne and Wear City Region are recognised as part of wider employment, housing and travel to learn markets, supported through a transport infrastructure which includes major arterial roads and links to the rail network. FEA boundaries developed as part of this study are broadly consistent with the North Durham Area of Opportunity outlined in the Regeneration Statement. However they do not stretch eastwards past the A1 and A19 corridor to Seaham and Peterlee. The FEA encompasses the former District Council areas of Derwentside and Chester-le-Street and also stretches into local authority areas of Gateshead and Newcastle-upon-Tyne to the north.

The towns of Consett and Stanley were formed through a gradual merging of smaller mining villages. Consett developed its steel industry during the early twentieth century. At its peak the Consett steel works provided jobs for 6,000 workers in the 1960s. In 1980 the works closed with the loss of 3,700 jobs. Consett and Stanley now act as local service centres with limited retail offers. The FEA also contains the town of Chester-le-Street, which is connected to the national rail network through the East Coast Mainline and lies on the main arterial route connecting Newcastle, Durham and Darlington.

Chester-le-Street Riverside is one of the County's key leisure assets, providing employment and attracting visitor spending through cricket matches and concert and exhibition activity. Beamish Museum is located between Stanley and Chester-le-Street. It is one of the region's most important visitor attractions showcasing the region's social and industrial heritage.

A summary of headline indicators for the FEA is provided in Figure 3.11 Table 3.5

Table 3.7 Tyne Link FEA Headline Statistics³¹

% of County Durham business base	25%
% of County Durham employment	22%
% of residents below NVQ Level 2	11%
% of residents with NVQ Level 4	42%
Sectors with greatest employment:	Public Services; Manufacturing; and Tourism
Major Centres	Chester-le-Street; Stanley; and Consett

³¹ The statistics presented refer only to the parts of the FEA that lie within the County Durham boundary

3.4.2 Breakdown of Economic Flows and Linkages

The following sub-sections provide analysis of various flows which have been used to establish FEAs for the County. A full outline of each of these issues and analysis at County level is contained in Chapter 2 of this report.

Labour Markets

Figure 3.17 illustrates the Travel to Work Area for the Tyne Link FEA. This analysis highlights that the FEA area and the TTWA area are largely the same. The TTWA only diverges from the FEA in one respect; it extends to the east and incorporates the South Shields area. As with other analysis presented as part of this study it should be highlighted that this map does not suggest that there are *no* travel to work linkages with the rest of County Durham. Rather it highlights that the linkages are *stronger* to the North.

Figure 3.17 Tyne Link FEA and Travel to Work Areas

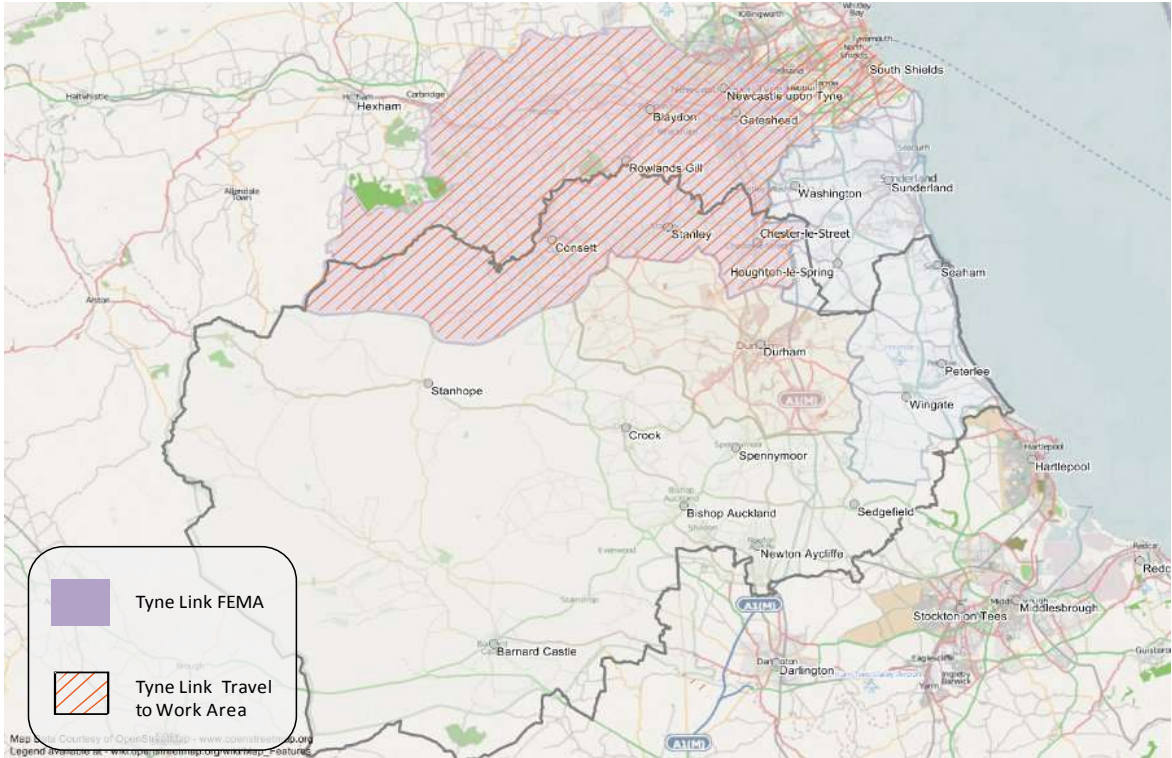
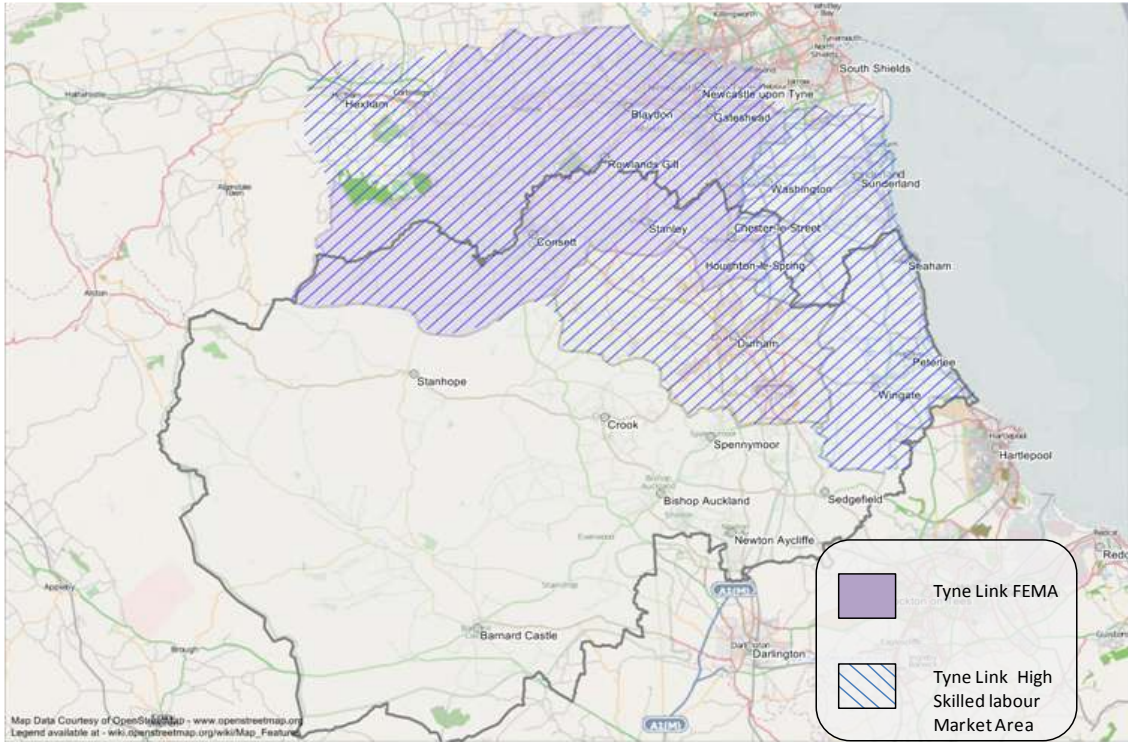


Figure 3.18 extends the analysis, highlighting the significance of the Travel to Work Area for higher skilled professions in isolation. As one would expect the significant number of jobs in the FEA, many of which operate in high value sectors of the economy, and therefore offering high salaries, means that this travel to work area is expansive. Indeed it covers nearly the whole of the County and extends to incorporate the entire Tyne and Wear City Region.

Figure 3.18 The Tyne Link FEA High Skilled Labour Market



Housing Markets

Figure 3.19 illustrates the Tyne Link FEA Housing Market Area. This analysis shows that the housing market functions within the FEA area with the addition of Durham City. This highlights the importance of the City to the Tyne urban core. Durham City offers a high quality housing offer and has significant cultural and leisure assets which offer attractive alternatives for those who work in the Tyne Link FEA. The quality of transport linkages is a key factor in this housing market. Links from Durham City to Newcastle are strong via the A1 and East Cost Mainline connections and with Chester-le-Street via the A167 are also significant, facilitating the high levels of connectivity between these two centres.

Figure 3.19 The Tyne Link FEA Housing Market Area

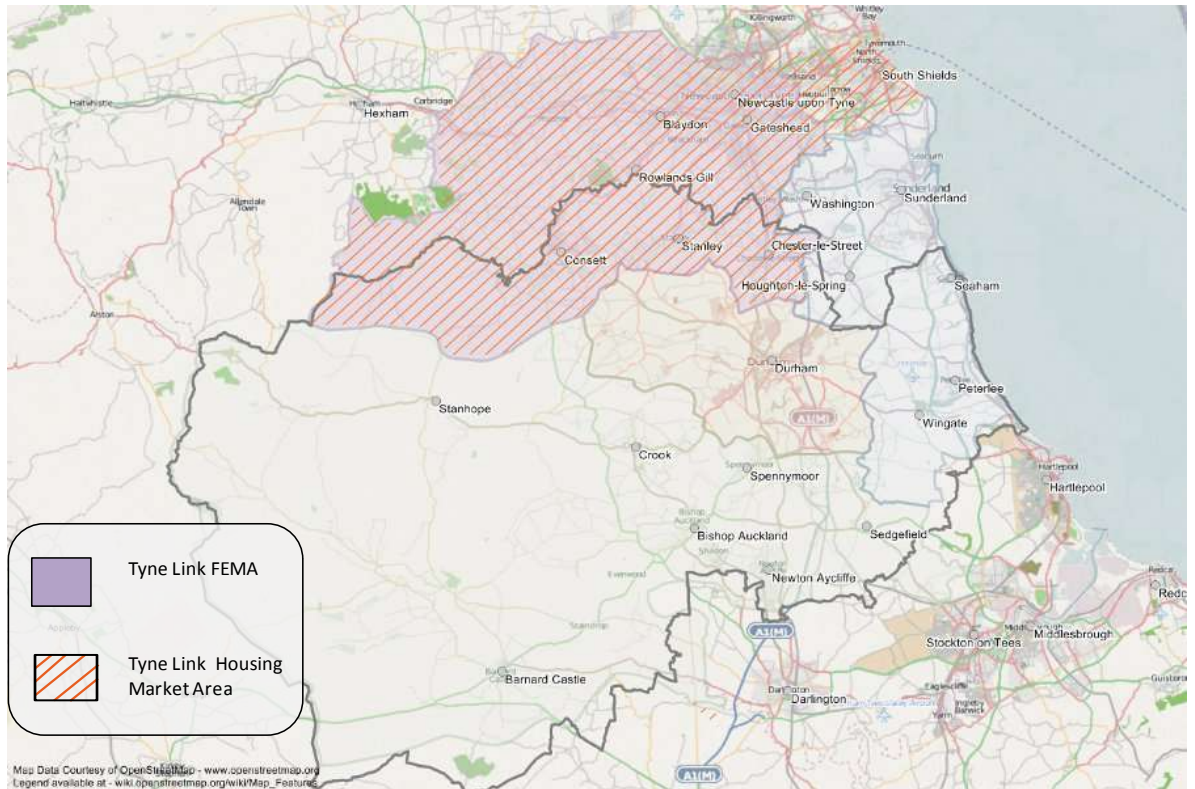
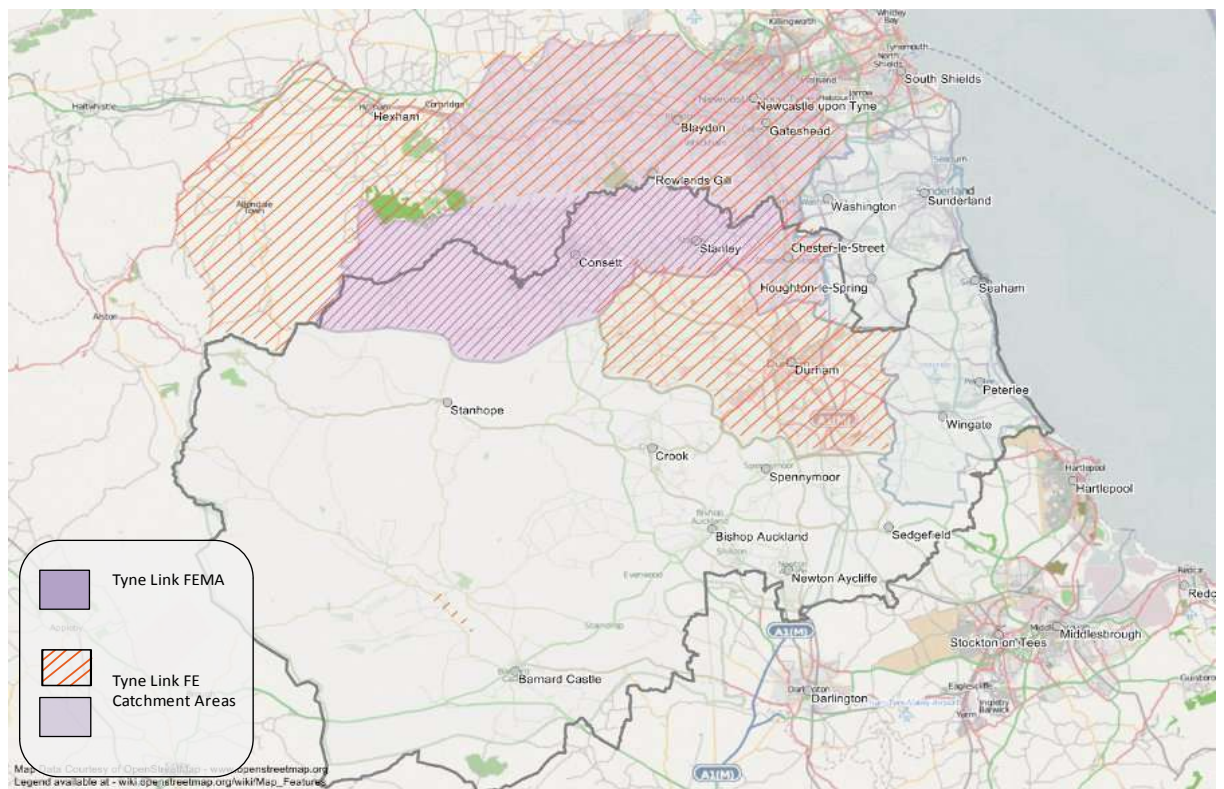


Figure 3.20 The Durham City FEA Further Education Catchment Area (18+)



3.4.3 Business and Employment

Consett and Stanley within the FEA are one of two sub areas across the County which serve the local needs of the towns and villages and visibly have their own market area. There are three main office locations within Consett/Stanley at Tanfield Lea, Greencroft and Number One industrial estates which have seen development of Business Centres and business units for the local workforce and entrepreneurs starting up. Consett is one of the prime rental areas in terms of industrial rents within the County³² and, alongside Washington, has concentrations of aerospace and defence, and general transport manufacturing (largely due to the BAE systems plants in the area)³³.

The presence of a distinct market area in Consett / Stanley is particularly important given the relatively peripheral nature of the area which is less strategically accessible, although most parts are connected by A-roads to either the A1 or A19 arterial routes. Drum Industrial Estate (Chester-le-Street) is identified as one of the county's key office locations, however Chester-le-Street lags behind other areas of the County when the number of business start ups per 10,000 population is considered³⁴.

Significant business features of the FEA include:

- The FEA accounts for 22% of all employment in County Durham and 25% of the County's business stock. However, this analysis only reflects a small proportion of the overall business stock in this FEA, much of which lies over the local authority border in Gateshead and Newcastle-upon-Tyne.
- The Public and Manufacturing Sectors account for the largest proportion of key sector employment in this FEA. Taken together these two sectors comprise 42% of all employment in this area;
- In comparison with the rest of the County, there has been a slower contraction in manufacturing employment in the Tyne Link since 2000. Across the County the overall percentage of employment in manufacturing has fallen by 17% during this period, whereas in the Tyne Link it has fallen by only 1%;
- In common with the general trend within the County there has been a significant increase in total employment within the tourism sector, employment has more than doubled in this FEA; reflecting growth in visitor numbers to established attractions in the FEA such as Beamish Museum, and the growth of smaller attractions such as Diggerland.
- Sub-FEA data analysis also highlights strong micro and small business growth around Stanley and Consett, suggesting that recent investment in start-up and business incubation has had a direct impact in these areas.

Whilst the County's economy lags behind the region and the UK, the former District Council area of Derwentside within the Tyne Link FEA has one of the highest GVA outputs for the county (£32,540) with strong growth in small business activity in the area since 1998³⁵.

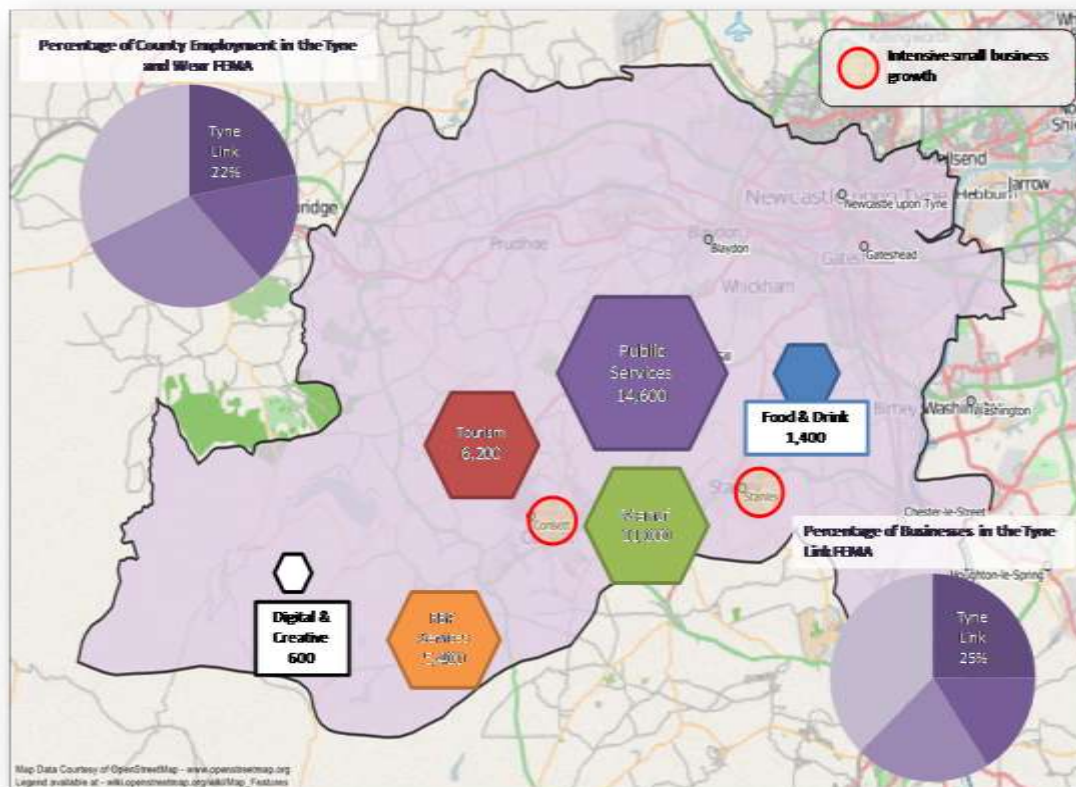
³² Ibid.

³³ Durham Key Sector Implementation Plan (2010) Adroit for Durham County Council

³⁴ Business Base and Entrepreneurship Profile (2010) Durham University

³⁵ Employment Land Review (January 2010) GVA Grimley

Figure 3.21 Tyne Link FEA Business Base and Key Sector Concentrations



3.4.4 People

Areas within the Tyne Link FEA have seen mixed population trends. Chester-le-Street saw a significant increase in its population over the decade to 2003, however since then it has steadily declined³⁶; this is set to continue to 2026 through a process of natural population decline³⁷. Conversely, Derwentside which has seen a relatively stable population since 1981, is expected to see some of the largest population growths by 2026 (10%), alongside Durham City, Easington and Wear Valley³⁸. Derwentside and Chester-le-Street contain 18% and 11% of the households in the county respectively.

Chester-le-Street has one of the highest levels of owner-occupation in the county at the district level with strong demand for detached properties. Consequently, affordability barriers, particularly for first time buyers, are most significant in the County in Chester-le-Street.

Links to areas to the north of the County are strong; from Chester-le-Street commuters primarily rely on Newcastle/Gateshead and Sunderland/Washington³⁹. These trends are associated with the significant growth of Business Services employment in and around Newcastle and good connectivity between northern parts of the County and Tyne and Wear⁴⁰. Durham City is also a key draw for residents, particularly those in Consett and Chester-le-Street.

³⁶ County Durham Strategic housing Market Assessment, Final Report (October 2008) GVA Grimley

³⁷ Demography Deep Dive - Demographic Change 2009 – 2026 (May 2010) Durham County Council

³⁸ Ibid.

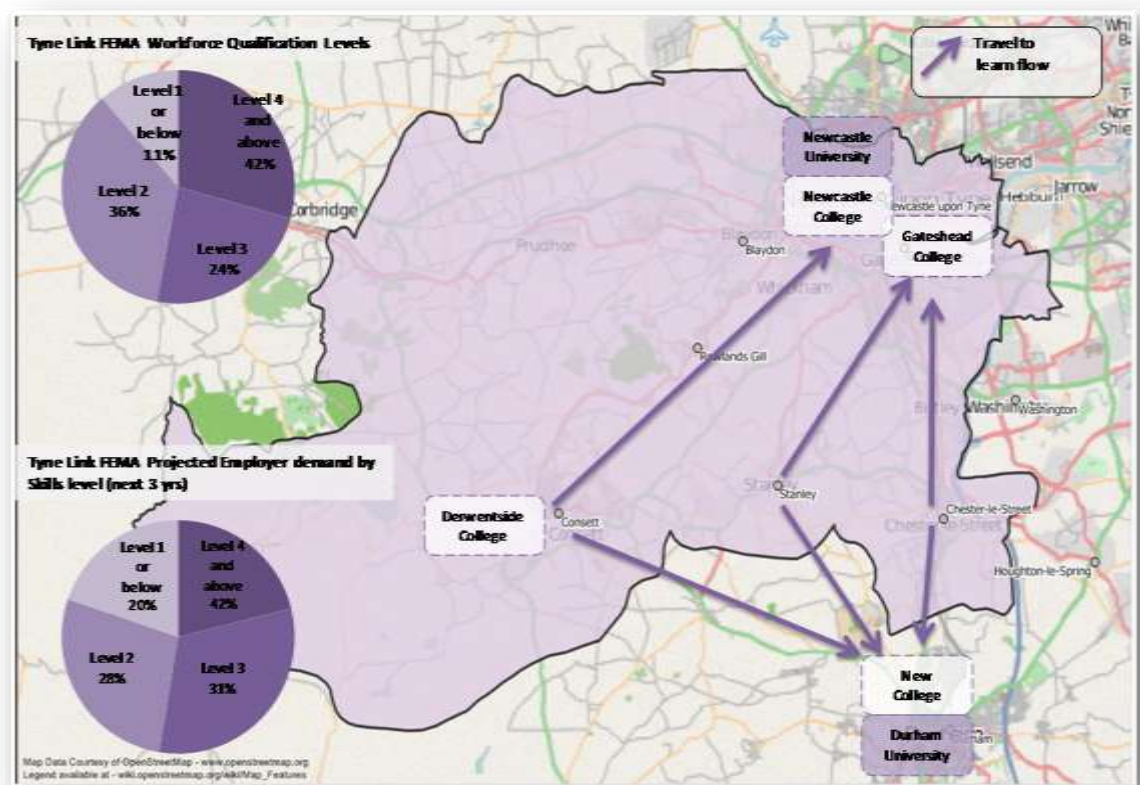
³⁹ County Durham Strategic Housing Market Assessment, Final Report (October 2008) GVA Grimley

⁴⁰ Durham County Council (October 2009) 'County Durham Economic Assessment (CDEA) Baseline Topic Report: Competitive Places'

Other significant features relating to people residing within the FEA include:

- Consistent with its role as a key source of commuters for the Tyne and Wear City Region, Chester-le-Street, Stanley and Consett contain significant concentrations of residents with Level 2 and Level 4 skills.
- Of those companies who forecast that their skills requirements would change it is noticeable that over a quarter of businesses in the Tyne Link report an increase in the requirement for Level 2 skills, the largest of any FEA, and over 15% also predict an increase in graduate level demand.

Figure 3.22 Tyne Link FEA Skills Development and Key Learning Hubs



3.4.5 Place

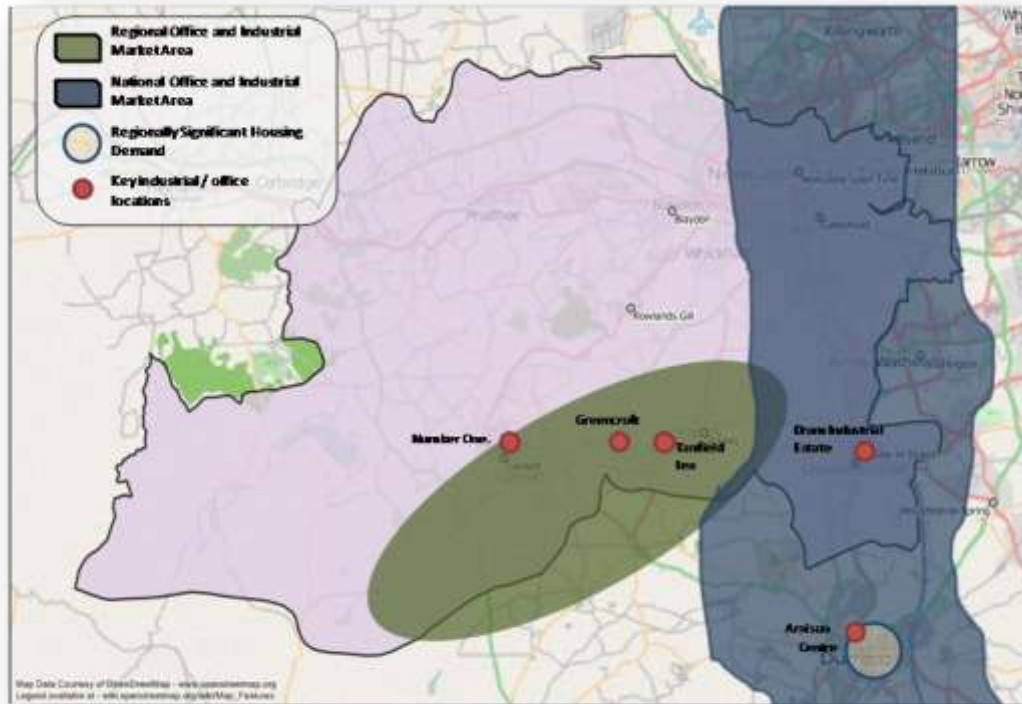
The Tyne Link FEA is varied with regard to its place offer. Chester-le-Street is the main centre in the north of the county and has an established local role, supplemented by other centres such as Consett and Stanley which, whilst important local centres, have been identified as a priority for wealth creation and growth looking forward⁴¹. This is visible in the major leisure, health and transport investment in Stanley over the last few years through radical restructuring and regeneration initiatives.

Whilst Chester-le-Street has a strong housing market and significant housing development, relatively low levels of business investment have led to high out-commuting of its residents. In addition, the town is characterised by low retention of convenience and comparison expenditure from its catchment compared to other areas in the FEA (with major convenience losses to Gateshead and Washington to the north, and Stanley to the west, and losses of

⁴¹ Durham Local Investment Plan 2010- 2015

comparison shopping to Newcastle). Consett retains a large amount of both its convenience expenditure (97%), with both Consett and Stanley losing most comparison expenditure to the Metro Centre, Gateshead. Stanley gains 13% of its convenience expenditure from Chester-le-Street residents.

Figure 3.23 Tyne Link FEA: Spatial Policy



Other significant features of the FEA include:

- Reflecting the strong historical relationship between the two towns there are significant leisure and retail flows between Stanley and Consett. In addition these two towns exhibit strong northern linkages to Newcastle/Gateshead. Interestingly Consett also exhibits significant linkages in this respect with Hexham.
- The leisure and shopping flows of Chester-le-Street operate on a north-south axis, reflecting its strong transport linkages with the higher order leisure and shopping offers in Durham City and Gateshead.
- Recent investment in several key employment sites and premises close to Consett and Stanley town centres have also supported indigenous business growth through substantial incubation and grow-on space.
- The connectivity of the FEA is heightened by its proximity to the A1. Additionally, Consett and Stanley comprise one of the key regional office and industrial market areas. Current plans for ground improvements, conference and hotel facilities at the Riverside will support further development of the A1 corridor and increase visitor numbers and spending.

In summary, the FEA is a significant contributor to the economic growth in Newcastle/Gateshead. These local authority areas exhibit very high levels of connectivity with strong micro and business growth in the towns of Consett and Stanley, suggesting that the potential is there for County Durham residents to contribute, and benefit further from this relationship. Furthermore, the fact that manufacturing employment has reduced at a much

slower rate in this FEA than others suggests that manufacturing businesses in the FEA are more competitive, and/or, engaged in higher value added activity than other FEAs.

3.4.6 Constraints and Challenges

Although defined as North and East Durham, the constraints and challenges facing what we describe as the Tyne Link FEA are clearly recognised in the Regeneration Statement and Core Strategy. This FEA is an important investment location in its own right, close to the heart of the Tyne and Wear City Region. It is an area of considerable economic opportunity and offers investors and businesses choice with regard to where to invest in the North East, enhancing the offer provided by the urban core of the City Region. The FEA is already the base for a number of very successful companies which continue to provide important employment opportunities and generate significant income within the County. Recognising the radical restructuring and regeneration that has taken place in recent years, emphasis is placed on taking forward proposals for further housing market renewal and investment in retail, leisure and business offers that will 'provide employment opportunities and continue to improve the commercial vitality of the area'.⁴² The ultimate objectives are to:

- capitalise on of the regeneration investment made in recent years in the major town centres and housing development in recent years, recognising the requirement for timely and appropriate community infrastructure (including health centres, schools as well as public transport infrastructure);
- rehabilitate industrial sites and encourage new investors and new business start-ups as levels of out-commuting remain high; and
- continue the process of economic restructuring, shifting to a service based economy and employment, tackling significant and persistent levels of worklessness (i.e. the FEA maintains significant local centres of employment, shopping, leisure and public services).

Transforming deprived areas remains a priority and is necessary for the improvement of social welfare, the attractiveness of towns and wider quality of life. A measure of success would be the reduction in the high level of deprivation still to be found in the FEA, expressed in terms of low household income levels which are affecting children in particular.

Whilst the FEA is, on the whole, well connected to Newcastle/Gateshead to the north it is worth noting that businesses highlighted the inadequacy of transport connectivity (i.e. notably between Consett with Newcastle). They suggested this was a significant barrier to the movement of labour and accessibility to markets. A thriving Tyne Link FEA, with significant potential for growth, will have a key role to play in terms of driving wider economic growth and productivity. Towns such as Consett and Stanley already provide employment opportunities and play a role in stimulating regeneration in the most deprived areas in the County. It includes a number of important commercial and retail centres, although a legacy of under-investment has resulted in some centres not realising their full potential. There are also a number of major employment locations, including a number of high quality industrial estates. For example, Tanfield Lea Industrial Estate is considered a key site in terms of the future economic position of the settlement with reasonable access to the A1(M) and new modern business accommodation. The Regeneration Statement makes the case for significant, high quality investment of this type development, suggesting it will provide a catalyst for long-term market restructuring in the FEA and across the County.

3.4.7 Policy Priorities and Opportunities

The multi and inter-related causes of economic outputs are translated into a causal diagram in Figure 3.15. The challenge for the Tyne Link FEA is to move towards a mixed economy, with focus given to protecting and nurturing the existing economy, whilst at the same time seeking to grow a range of sectors. A strong sectoral focus to economic development should be shared with Durham City and the areas to the north of the FEA. The Tyne Link has a very limited supply of sites and premises. Recent development of available land in the FEA (most

⁴² Durham County Council, Regeneration Statement, pages 30-35

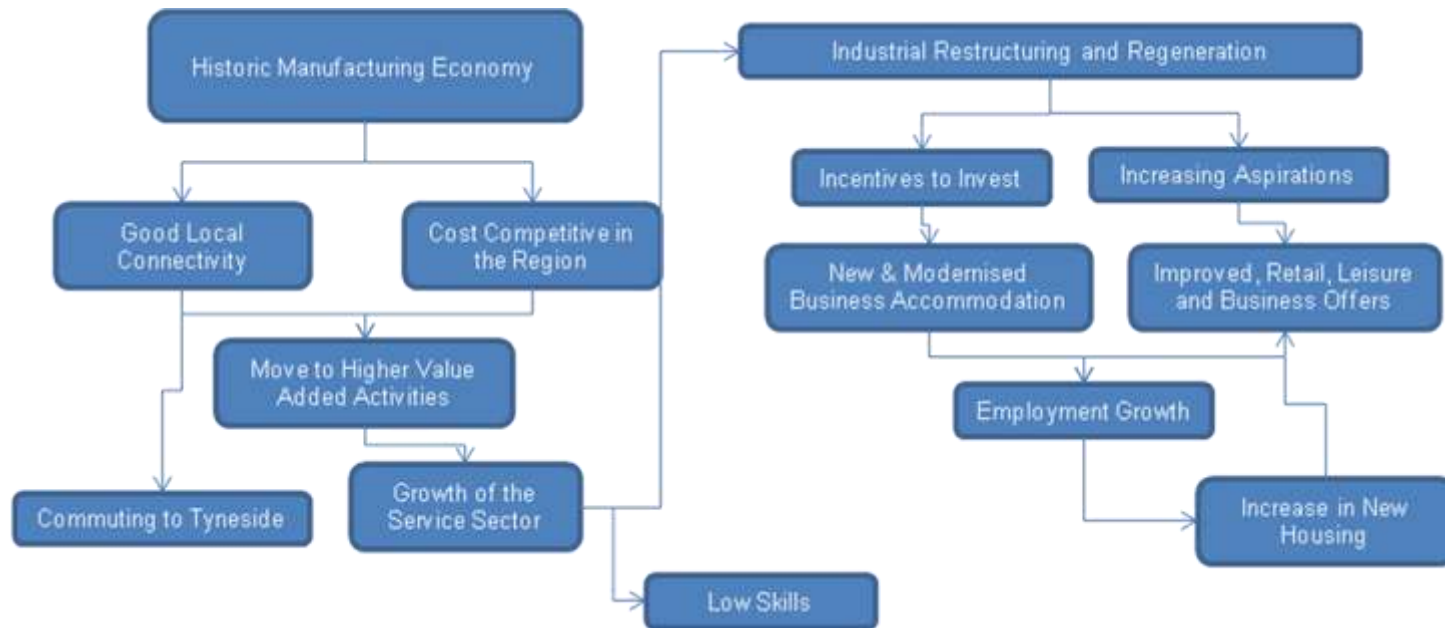
significantly at Drum Industrial Estate) coupled with availability of sites and premises in Gateshead means that a tight focus must be maintained to land use in the FEA to deliver maximum economic potential for the County.

The Tyne Link FEA is affected by high levels of worklessness and low levels of skills. These and other underlying weaknesses are barriers to individuals and communities sharing in the benefits of economic and employment growth. Some progress has already been made through: a series of regeneration initiatives in Consett and Stanley to tackle issues of social and economic deprivation and raise levels of participation in the labour market; and an integrated approach to tackle low demand and abandonment in housing across some parts of the FEA under the County Durham Housing Market Renewal Programme.

The objective should remain to ensure that the skills base of the FEA's labour market is sufficient to meet the current and future needs of employers. This will require the Council and partners putting in place the ways and means to effectively identify and analyse changes in the labour market and the skills requirements of the private sector. In this FEA there is a need to avoid too great a focus on basic skills training for jobs that do not exist and to maintain the on-going availability of local employment opportunities – particularly important given the deprived nature of some of the communities living within the FEA, where economic participation rates are low. So, there is a need to:

- maintain a strong focus on employment and skills, investing in skills to enable higher levels of employment and deliver a more balanced and sustainable pattern of growth;
- ensure that local residents are equipped to take up the jobs that are created, boosting the employment rate, ensuring that GVA per capita can rise more quickly and retaining the benefits of growth within the existing population;
- engage with and support sectors where the area has a clear advantage, supporting the skills needs of the growth hub and sector clusters;
- the establishment of STEM Routes into employment with key local employers, establishing collaborative curriculum pathways through schools, further education and the higher education network in the area;
- providing a flexible demand-led approach to the employment of apprentices, with a focus on priority sectors, and in particular, small to medium sized businesses; and
- strengthen local business partnerships between employers and further education and schools focused on priority sectors in the area, improving the information, advice and guidance young people receive about vocational and academic options linked to local employment opportunities in the area.

Figure 3.24 Tyne Link



Any strategy depends upon a targeted economic development policy, that is tailored to meet the needs of the major sectors of the economy, and policies to modernise and diversify the business base through the provision of appropriate business support and finance, actions to support manufacturing and work to improve the formation rate of new firms in high knowledge content sectors. Coordinated and aligned investment would make a significant contribution to raising the economic performance of both County Durham and the Tyne and Wear City Region (e.g. investment made in the existing employment sites and premises will maintain the attractiveness and competitiveness of the areas beyond the FEA, helping to retain existing businesses as well as attract and develop new ones).

The improvement of the key urban centres will help to create a living environment which supports the retention of skilled and talented individuals and provides an alternative to the option of living within the urban core of the City Region. The evidence base assembled for this Report, coupled with data analysis and stakeholder and business consultation, suggests that a focus on the following types of issues would help to unlock the economic potential of the Tyne Link:

- **To ensure that the County benefits from cross-border collaboration.** Substantial residential and business development activity has taken place in the towns of Stanley; Consett; and Chester-le-Street. In contrast with the Wear Link FEA this has taken place with a relatively high skills base from which to work, it is therefore vital that close, cross border relations are maintained with the Tyne and Wear City Region to deliver complimentary activity which builds on development opportunities in County Durham and/or enables residents of the County to benefit.
- **Continued Town Centre development is crucial to attract and retain regional talent.** This involves delivering the correct combination of commercial developments and environmental enhancements to create an 'urban renaissance' - high quality public realm, quality retail, leisure and educational which builds on recent activity. Taken together with Durham City, the Tyne Link FEA contains some of the households with the highest disposable incomes in the County. It is vital for many businesses that they remain resident in the County.

Table 3.8 presents some suggested key actions for the Tyne Link FEA.

Table 3.8 Tyne Link Priority Actions

Tyne Link		
Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Town centre and housing development which creates the conditions for an enhanced retail offer in Stanley, Consett and Chester-le-Street which moves beyond groceries and low value products and services, to comparison goods should be the ultimate objective.	This would prevent expenditure leakage to neighbouring local authorities, principally Newcastle and Gateshead and provide additional local employment.	FEA-focussed Led by the CDEP Place Development Group
Continued support in Consett and Stanley is required for the small business growth that has taken place in recent years. This will involve support services but also infrastructure support through grow-on business space in the county.	Increase business growth and employment in the county; grow the county's reputation a new enterprise hub.	Countywide Led by the CDEP Business and Enterprise Group
Sustain and potentially build on the FEAs knowledge-intensive manufacturing base through closer consultation with these companies in order to understand their needs and explore ways in which other companies across the county can collaborate with them	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county.	FEA-focussed Led by the CDEP Learning and Skills Group
Support the FEAs manufacturing base through ensuring that a strong focus on relevant higher level skills provision in the county's further and higher education institution is maintained.	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county	Countywide Led by the CDEP Business and Enterprise Group
Develop key leisure and tourism assets such as Durham County Cricket Club and Beamish Museum. Growth of these two assets should be undertaken in line with existing Masterplan documents.	Increased visitor spend in the county and reduced leakage of County Durham residents spending to other areas of the region.	FEA-focussed Led by the CDEP Place Development Group



3.5 Wear Link

The FEA is broadly consistent with the former district of Easington and contains major towns of Peterlee and Seaham. It consists of the former District of Easington Council local authority area and, unlike the North Durham Area of Opportunity outlined in the Regeneration Statement, does not link up with the former local authority areas of Chester-le-Street and Derwentside. In addition it stretched northward and links with the local authority area of the City of Sunderland (including Washington).

Peterlee was founded in the late 1940s as a new town. It accommodates significant manufacturing and call centre employment on its large industrial estates. The Town Centre and surrounding housing stock of Peterlee have been subject to significant recent investment in housing and retail space in recent years.

Seaham is situated on the coast. The Town Centre was initially developed around the port in the early 1800s but subsequently continued to expand following the establishment of collieries and recent housing developments. Most recently the Town Centre has benefited from the relocation of the Port of Seaham which has enabled the development of a new Town Centre at Byron Place.

A summary of headline indicators for the FEA is provided in Figure 3.11 Table 3.5

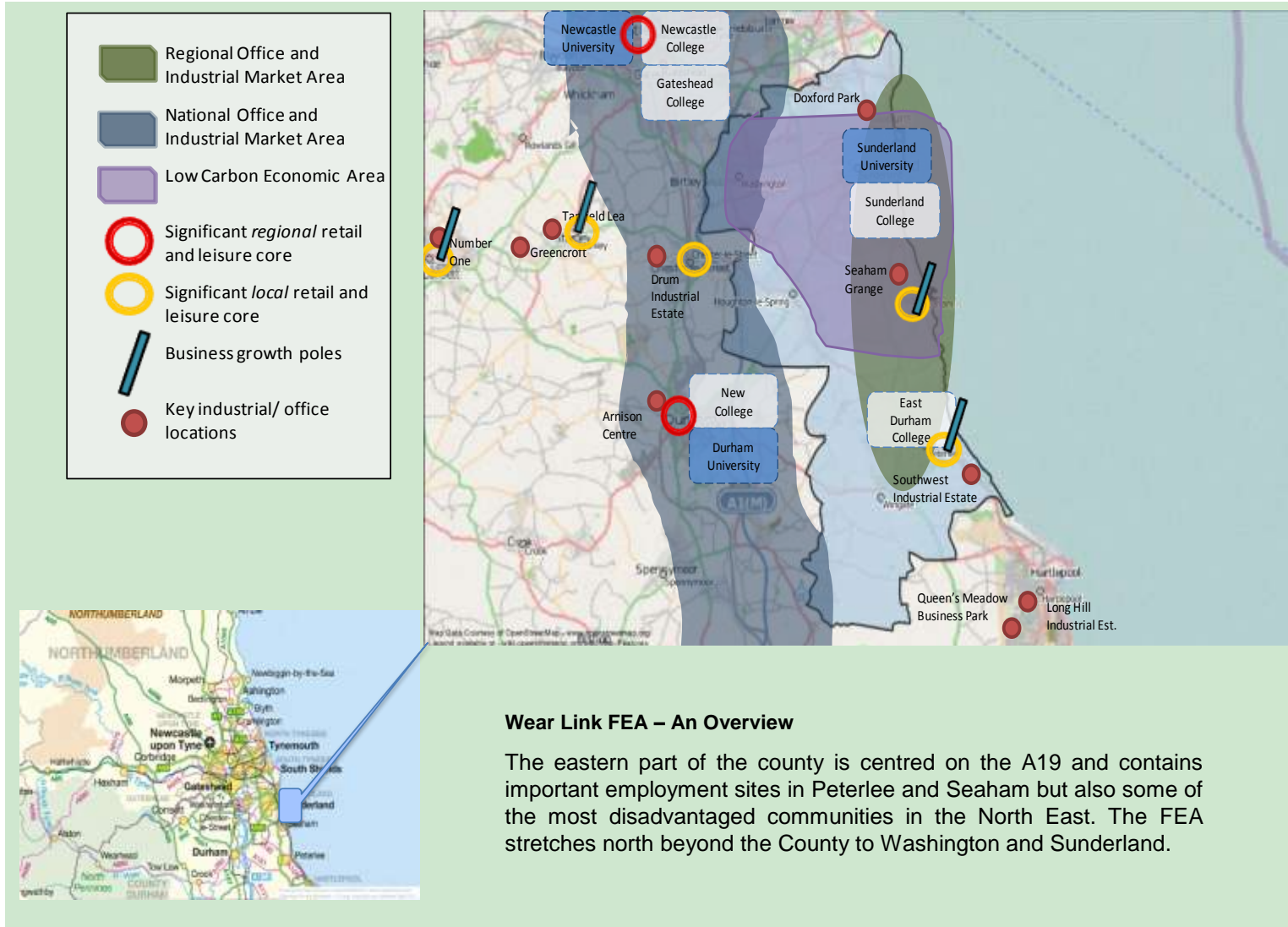
Table 3.9 Wear Link FEA Headline Statistics

% of County Durham business base	16%
% of County Durham employment	17%
% of residents below NVQ Level 2	33%
% of residents with NVQ Level 4	<0%
Sectors with greatest employment:	Public Services; Financial, Professional and Business Services; and Tourism
Major Centres	Seaham; and Peterlee

3.5.2 Breakdown of Economic Flows and Linkages

The following sub-sections provide analysis of various flows which have been used to establish the FEAs for the County (i.e. they illustrate the 'building blocks' of the analysis, with each element forming one part of the overall assessment). A full outline of each of these issues and analysis at the County level is contained in Chapter 2 of this Report.

Figure 3.25 Wear Link Functional Economic Area



Labour Markets

Labour Market Analysis was undertaken for: Travel to Work Areas; Low Skill Labour Market Areas; and High Skill Labour Market Areas.

Figure 3.26 illustrates the Travel to Work areas for the FEA, highlighting significant linkages to the North and South.

Figure 3.26 The Wear Link FEA and Travel to Work areas

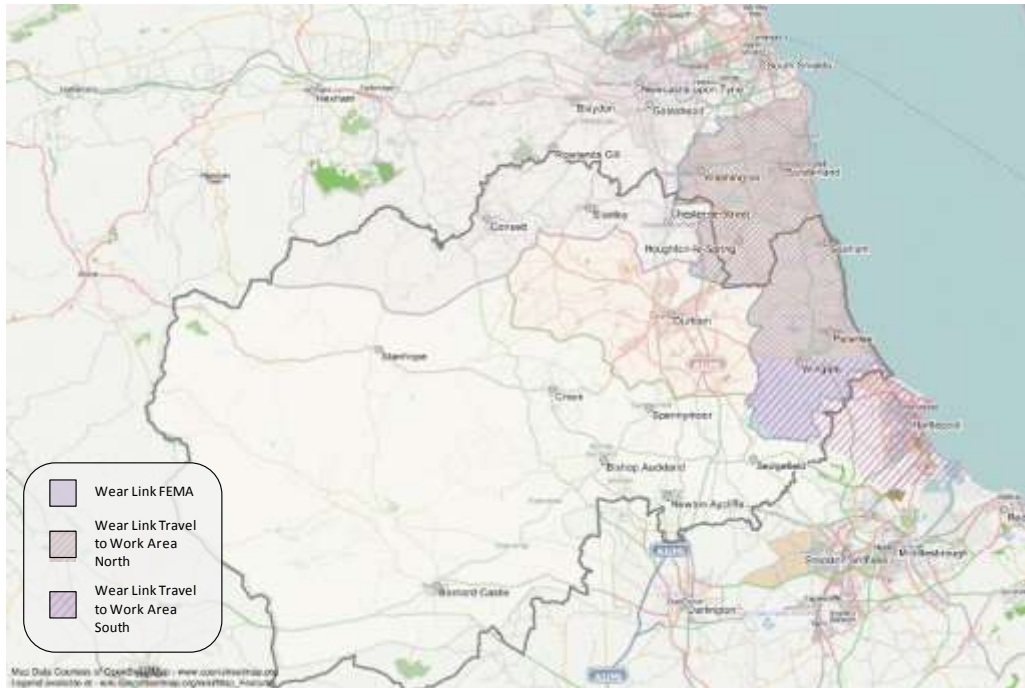
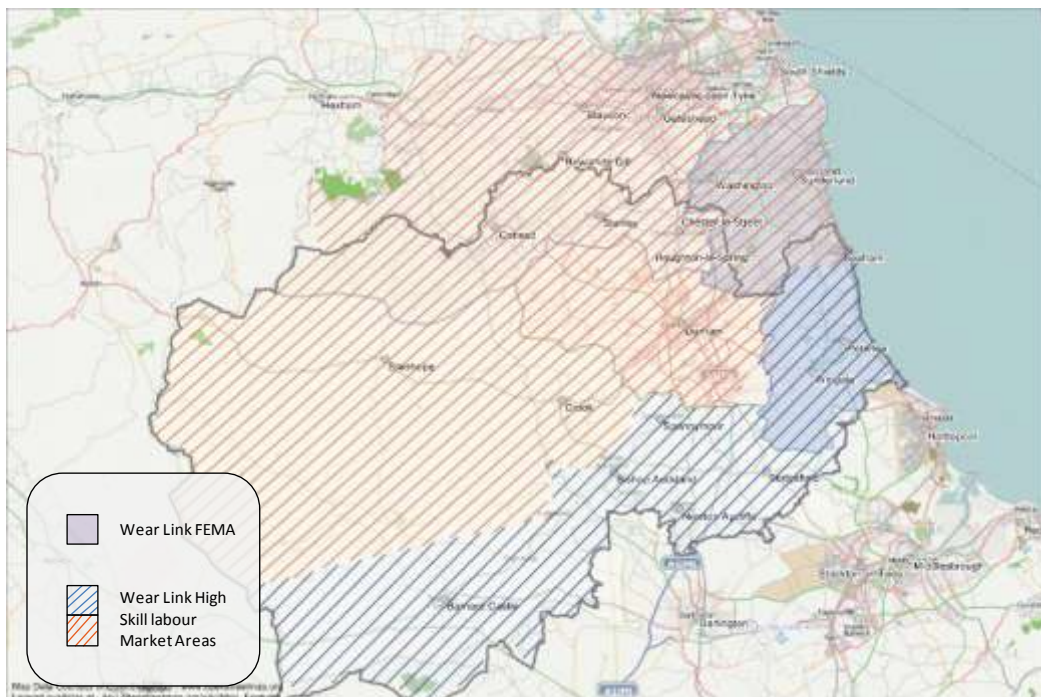


Figure 3.27 provides drill-down analysis, highlighting that the Wear Link FEA Travel to Work Area for higher skilled professions splits the FEA into two distinct areas.

Figure 3.27 The Wear Link FEA High Skill Labour Market Area

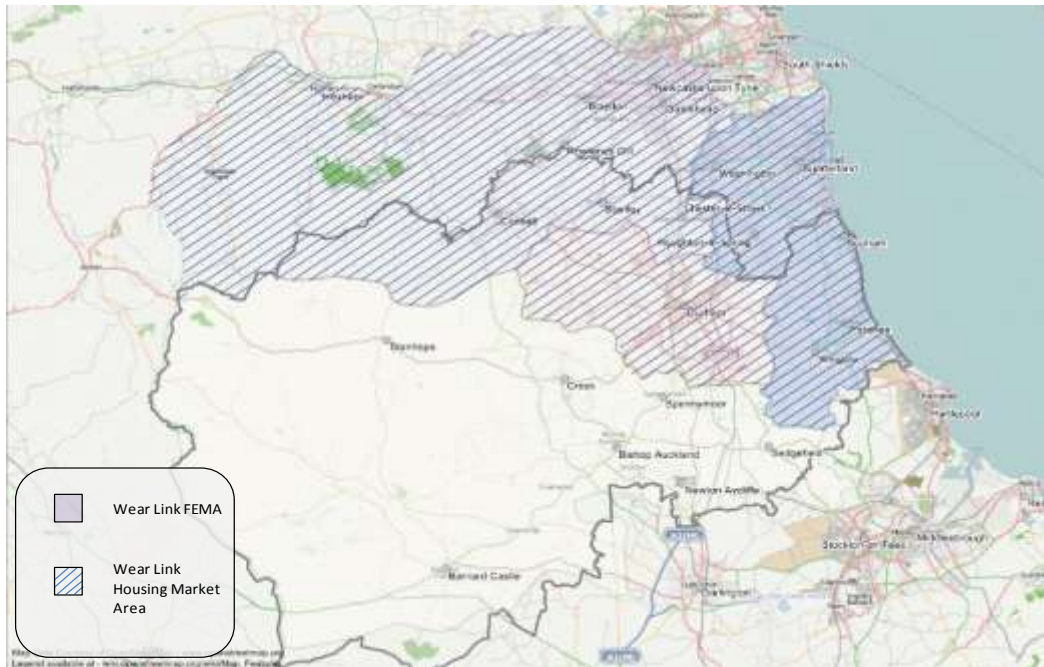


As with analysis of the other FEAs in the County this analysis extends the travel to work pattern illustrated in the previous map. This analysis highlights the importance of the A688, linking Barnard Castle and the surrounding area and the A689/690 as key link routes which connect the east and west of the county.

Housing Markets

The Wear Link FEA housing market area follows a similar pattern to the labour market profile presented above.

Figure 3.28 The Wear Link Housing Market Area



It highlights strong links to the north of County Durham, which span the local authority boundary and link with the Tyne and Wear City Region.

Producer /Consumer Markets and Communications

A full description of our approach to the analysis of producer markets is contained in Chapter 2 of this Report. In summary, the Wear Link FEA exhibits no significant linkages in terms of Business Fora with other areas of the County Durham or Tyne and Wear City Regions. Interestingly this analysis does not link the Seaham and Peterlee areas closely with Sunderland and suggests that the area to the south of the FEA around Wingate is not closely linked with these areas either.

Relative readership of regional morning newspapers also formed part of the analysis in this policy domain. Interestingly this links Seaham with the wider Tyne and Wear City region, whilst the remainder of the FEA area to the south is linked with the rest of County Durham and Tees Valley. This is one of the few indicators which split the areas of Seaham and Peterlee.

Figure 3.29 The Wear Link Further Education Catchment



Figure 3.29 above illustrates the catchment areas for students (aged 18+). This illustrates the relatively short travel to learn distance that characterise the FEA. Indeed it is worthy of note that this FEA is the only one analysed for this study with FE catchment that does not connect it with any other FEAs. Stakeholders interviewed as part of this study suggested that this was a function of both poor transport linkages across the county, but more significantly that Sunderland University and the local colleges provided adequate FE provision.

3.5.3 Business and Employment:

Compared to other parts of the county, the Wear Link FEA possesses a concentration of manufacturing activity, primarily around the industrial estates of Peterlee and Seaham (including Seaham Docks and Seaham Grange Industrial Estates)⁴³. The FEA also has concentrations of automotive manufacturing around Peterlee due to its proximity to Sunderland and with larger premises available for cheaper rents than found in, for example, Durham City⁴⁴. Whilst there were jobs losses in the automotive sector in Peterlee over the course of the recession (notably at Caterpillar), there has been growth in green technology focusing on cleaner engines (GT Group)⁴⁵ which provides opportunity for future growth, particularly given the designation of Sunderland, South Tyneside and Easington as a Low Carbon Economic Area (linking to Nissan)⁴⁶.

Peterlee is a major centre of employment in the FEA, serving the more southerly part of the (former) Easington district⁴⁷; strong growth in small business activity has been visible since 1998. Despite this, Seaham and Peterlee have a more local draw as office market locations, particularly when compared to Durham City⁴⁸. County Durham saw above average growth in office space between 1998 and 2008; growth of space in Easington’s Enterprise Zone and

⁴³ Adroit (for Durham County Council) (2010) Durham Key Sector Implementation Plan
⁴⁴ GVA Grimley (January 2010) Employment Land Review
⁴⁵ Adroit (2010) Op.Cit
⁴⁶ Durham County Council (October 2009) ‘County Durham Economic Assessment: Baseline Topic Report October 2009’
⁴⁷ GVA (2010) Op. Cit.
⁴⁸ Ibid.

Durham City was attributed to be the cause. Currently, there are large concentrations of vacant office space in Easington, possibly due to over-supply relative to the demand in that location.

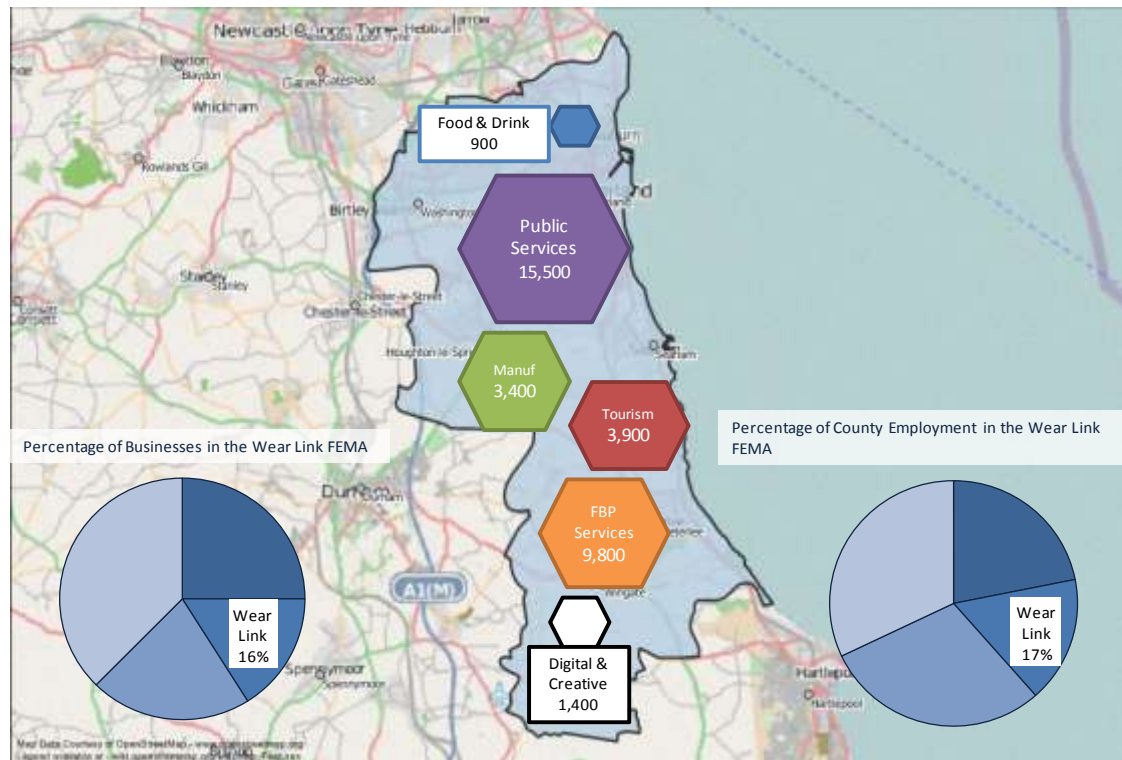
The Easington Enterprise Zone created a legacy of industrial development over the past 10 years with a high take up rate- particularly compared to other parts of the county. Despite the success of more industrial business, Easington has one of the lowest business formation rates in the whole County and also fared badly over the course of the recession with the one of the highest rates of redundancy in the county⁴⁹.

Other significant features of the FEA include:

- The FEA is responsible for 17% of all employment in County Durham and 16% of all business stock, the lowest proportions of both employment and business stock of all FEAs in the County. However, this analysis only reflects a small proportion of the overall business stock in this FEA, much of which lies over the local authority border in Washington and Sunderland.
- The most significant sectoral employment is in the Public; and the Financial, Professional and Business Services Sectors, taken together these sectors account for just less than half of all employment in the part of the FEA employment which lies within County Durham. However it must be noted that the nature of the jobs in the FPBS sector in this FEA is, in general, of much lower value occupations than those held in the Durham City FEA. Much of the employment in the FEA in this sector is call-centre based activity.
- Manufacturing is still a significant employer in this FEA, although total employment in the sector has fallen 22% since 2000.
- Sub-FEA data analysis also indicates that there has been strong business growth in the extreme North of the FEA of both micro and small size companies. This is perhaps indicative of the high proportion of companies operating in the manufacturing supply chain of major employers to the North of that area.
- Consistent with public policy initiatives over many decades to encourage inward investment into this area (and the resulting availability of significant employment sites and premises) the area has seen more inward investment over the past few years than any other FEA in the County, this has been characterised by a substantial number of inward investment in the Automotive Sector. This is also encouraging given the substantial economic potential for low-carbon vehicles in the FEA, centered around Smiths Electrical Vehicles and Nissan.

⁴⁹ Durham County Council (2009) Op cit.

Figure 3.30 Wear Link Business Base and Key Sector Concentrations



3.5.4 People

Currently Easington (the former district) has the lowest skills level in the county, with less than one third of the population attaining NVQ L3 or above⁵⁰. There is also a strong concentration of social housing and low life expectancy. At the former district council level, it is predicted that Easington will see one of the county's largest growths in population of 5% between 2021 and 2026⁵¹ and the new build market is strong⁵², with housing demand due to the presence of affordable, entry-level housing which other parts of the county do not have.

Other significant features of the FEA include:

- Of all FEAs in the County the Wear Link has the lowest level of NVQ Level 2 and NVQ Level 4. The Wear Link FEA is characterised by a classic low-skills equilibrium. Low supply of high level skills drives low levels of business demand for high skills (and vice versa).
- According to the County Durham Employers Survey⁵³, demand for Level 2 Skills is forecast to rise in this FEA by more than 25% in the next three years. This presents a challenge and a positive sign that employers in the FEA may expect to grow, and additionally demand for graduate level skills is forecast to grow by over 15% over the next three years.
- Levels of deeply entrenched worklessness remain some of the most significant in the UK, presenting a challenge for the County and, conversely a source of relatively cheap labour for low value added manufacturing.

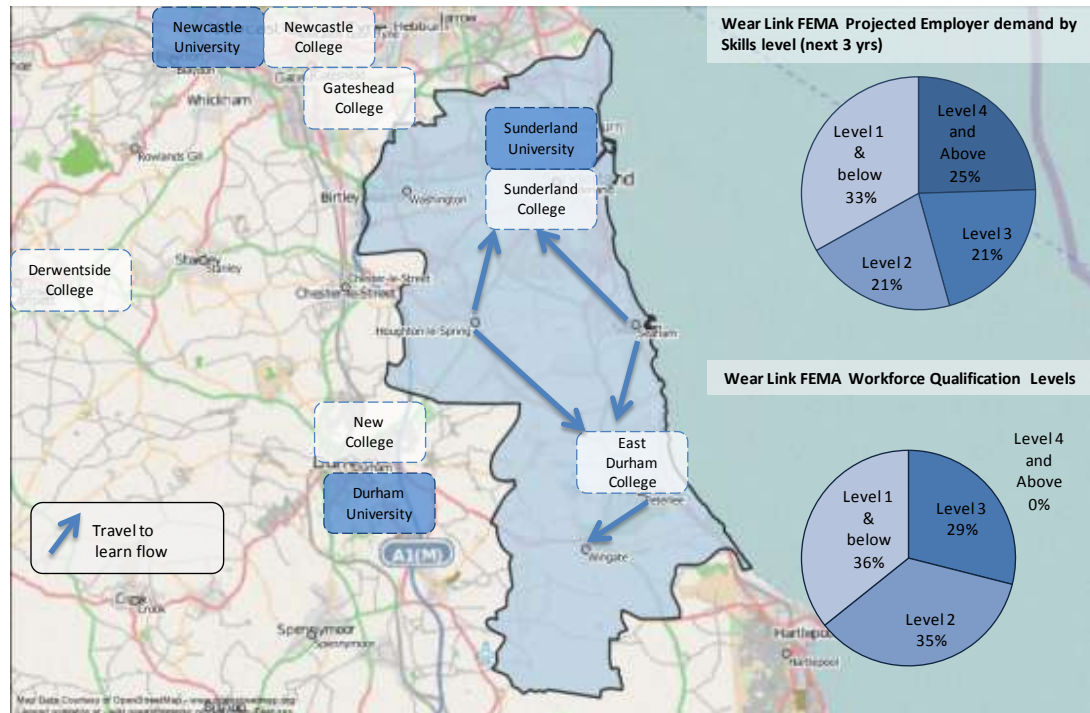
⁵⁰ Durham University (2010) Business Base and Entrepreneurship Profile

⁵¹ Durham County Council (May 2010) 'Demographic Change 2009 – 2026 Deep Dive Report Version 1'

⁵² GVA Grimley (October 2008) County Durham Strategic Housing Market Assessment, Final Report

⁵³ See Durham Key Sector Implementation Plan (2010) Adroit for Durham County Council

Figure 3.31 Wear Link: Skills Development and Key Learning Hubs



3.5.5 Place

As a post war ‘regeneration town’, Peterlee is identified as a priority for wealth creation and growth⁵⁴. It is a significant residential and employment base for the County, with large industrial estates attracting private investment as well as a network of call centres providing local investment, with scope for future expansion.

Seaham’s town centre has a relatively poor public perception⁵⁵, but as the gateway to Durham’s coastline it has potential for growth around the regeneration of the Heritage Coast and redevelopment of former colliery sites, increasing the potential for tourism. The A19 also provides good links to the Tyne and Wear City Regions.

Peterlee retains much of its convenience goods expenditure with the largest outflow to Hartlepool, possibly in response to commuter out flows – Seaham retains less of its convenience expenditure with relatively high losses to Sunderland. For comparison expenditure, Peterlee and Seaham lose most expenditure to Hartlepool and Sunderland.

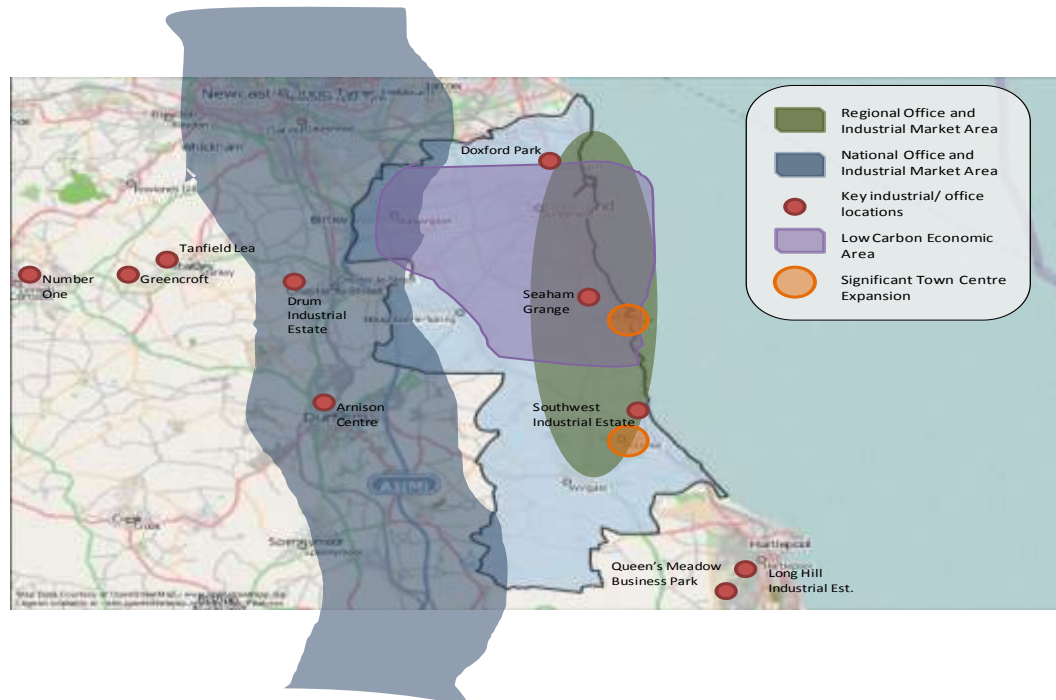
Other significant features of the FEA include:

- Seaham and Peterlee exhibit very strong linkages with Sunderland and Washington to the north. Seaham also shows significant retail and leisure flows to Peterlee, which is not as significant in reverse. Peterlee is linked with Hartlepool. Interestingly neither is significantly linked with the City of Durham.
- Seaham and Peterlee form an office and industrial market area categorised as regionally significant. This is interesting and highlights one of the key strengths of the FEA approach in respect of the Wear Link. The significant network of large employment sites and premises which is evident in the former district of Easington continues up the A19 corridor into Washington and Sunderland. Development of the FEA area in the County Durham local authority boundary must therefore take account of this and understand wider development trends and possibilities based on analysis of this largely contiguous office and industrial property network.

⁵⁴ Durham Local Investment Plan 2010- 2015

⁵⁵ Durham County Council (2009) Baseline Topic Report: Competitive Places

Figure 3.32 Wear Link: Spatial Policy



3.5.6 Constraints and Challenges

There are a number of constraints and challenges facing the FEA, many of which are recognised in the Regeneration Statement and Core Strategy, notably the need to address the following issues:

- low skills remain a significant challenge, with education attainment and workforce learning a barrier to economic development;
- whilst housing development has taken place, the housing stock in many areas of the FEA is dominated by terraced housing and the quality of the urban environment is poor; and
- transport links with the rest of the County are very poor, accessing employment opportunities for those without their own transport remains a challenge.

The Wear Link FEA is an important investment location in its own right, forming a 'bridge' with the Tyne and Wear City Region and a particularly close connection to the economy of the City of Sunderland. It has considerable economic potential and includes a number of regionally significant assets. For example, located only eight miles from Durham City and ten miles from Sunderland, Peterlee accommodates significant manufacturing employment and has a number of large industrial estates. A number of large industrial estates continue to attract private investment and a network of call/contact centres are evolving across the FEA, providing important local employment. These jobs are of high importance, providing entry level jobs, progression up the career ladder and encouraging long term unemployed back into the labour market. The Seaham and Murton areas are in the process of economic regeneration with progress being made to create new employment generating infrastructure. With its coastal location and harbour it offers enormous potential to develop a new and sustainable economy.

There are, in addition, the attractions of the East Durham Heritage Coast as well as Dalton Park, a major retail destination. Coupled with increasing levels of market led housing investment, this offers the potential of further economic improvements. This has been achieved through new investment and the creation of employment opportunities. The overall aim is to diversify the economy and ensure that local people are provided with the higher

level skills they need to be able to access to new opportunities being created through the new business developments. Activity will help to address high levels of incapacity benefit claims by creating more employment opportunities, and impact on the general quality of life in the area by bringing more brownfield land back into use. The potential of Seaham and the opportunity to continue the economic regeneration of Peterlee holds out a significant opportunity to address the high levels of economic deprivation found. Easington, for example, remains one of the most disadvantaged districts in England with over half of all the super output areas in the district classed as amongst the 10% most deprived in England.

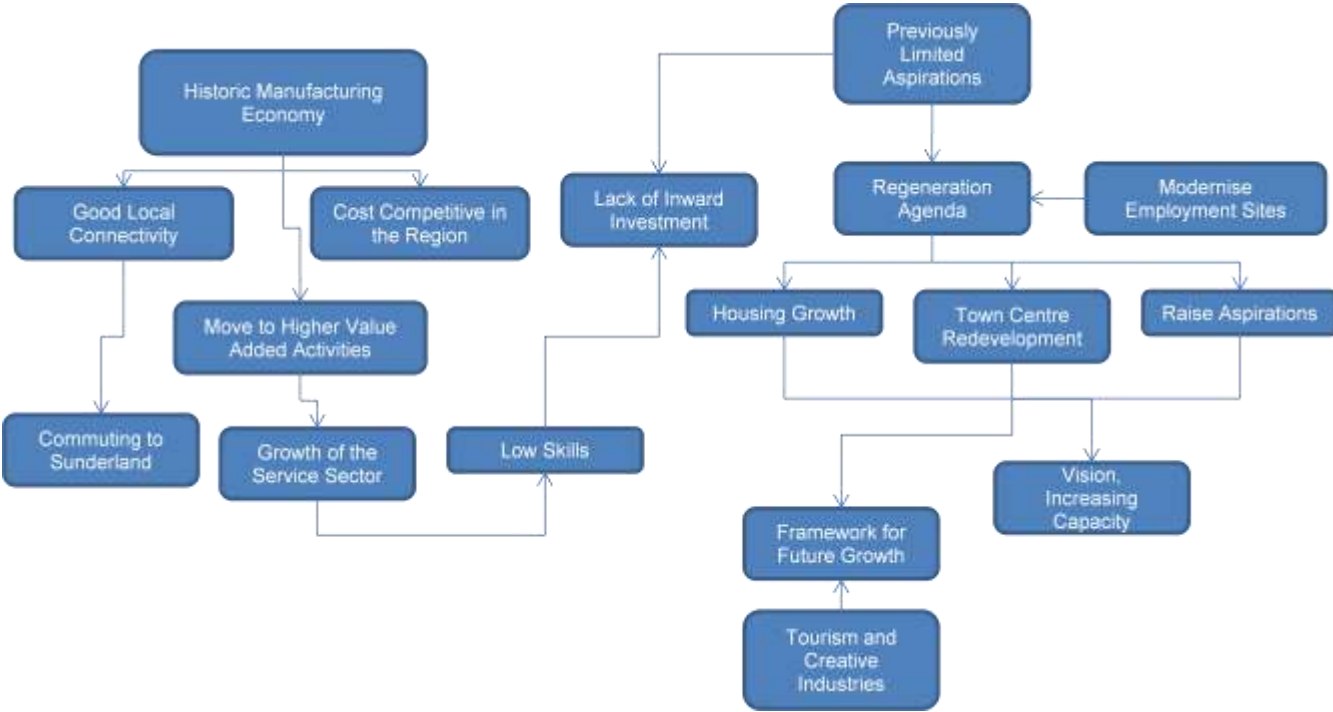
3.5.7 Future Directions

When describing the causes of the prevailing economic circumstances in each FEA, recourse was often made to a discussion of multi and inter-related causes and events. These discussions have been translated into a causal diagram – see Figure 3.15. We suggest that the following areas should be the focus for investment and the commissioning any new programmes:

- strategic site and premises investment, with enhancements to the network of strategically important investment and employment sites including;
- an urban renaissance, with new commercial developments and environmental enhancements, including improvements to the retail offer and major public sector housing improvement;
- support for tourist businesses and marketing, based on the Heritage Coast as well as industrial and social heritage connected to coal mining and its associated communities (i.e. including Seaham Hall Hotel and Spa and Dalton Park as major leisure attractions and destinations); and
- access improvements, through a range of highway improvements, including the A19 connection to Sunderland and additional investment in rail (such as a station at Peterlee) to improve connections to the adjacent conurbations.

The Wear Link FEA is affected by exceptionally high levels of worklessness low levels of skills, and low levels of business start ups and enterprise. These and other underlying weaknesses are barriers to individuals and communities sharing in the benefits of economic and employment growth. There is no single answer, no 'magic bullet' which would solve all the ills of the FEA. Instead, there is a need for a more co-ordinated and integrated approach. The objective should be raise the employment rate, and reduce the employment rate gap for disadvantaged groups, by removing barriers and disincentives to work, and providing more personalised and joined-up services to help people into employment and career progression. We were told that successful projects, including a series of major community based regeneration initiatives, sought to tackle issues of social and economic deprivation through improved training and employability support. There had been a particular focus on neighbourhoods with high concentrations of worklessness, meeting the aspirations of residents to acquire relevant skills and qualifications to progress in their careers.

Figure 3.33 Wear Link FEA



To meet these objectives, the following criteria need to be addressed:

- enabling flexibility in the design and delivery of welfare to work support, so it is better focused on addressing the capital's specific needs;
- ensuring there is an alignment of services in the FEA which have a stronger focus on achieving sustainable employment outcomes;
- developing a robust demand-led system for employment and skills, which is accompanied by high quality advice linked to the local labour market and quality standards; and
- ensuring career progression is better supported and linked to employers' needs.

As a consequence, there is a need to ensure that high quality advice is available which supports local labour market needs and career progression should be one of the key strategic priorities.

The evidence review carried out for this study, coupled with data analysis and stakeholder and business consultation suggests that a focus on the following types of policy priorities is key to unlocking the economic potential of the Wear Link:

- **To ensure that the County benefits from cross-border collaboration.** Substantial development has taken place close to, and across the border with both the Tees Valley which, although not currently forming strong economic linkages, could be a source of employment and business expansion in the future. In addition, as has been demonstrated through this , there are significant functional economic relationships with Sunderland and Washington, which should be built upon.
- **Seaham has existing key assets upon which to build.** Seaham Hall is the North East's only 5 star hotel. Furthermore the regeneration of Seaham North Dock provides an opportunity to create a major coastal visitor hub, creating further entry-level jobs in the FEA. East Durham's Heritage coast is also a significant tourist attraction
- **East Durham is part of the North and East Durham Growth Point** which will play a key role in delivering more than 4,600 additional homes over the period to 2017. This will afford a significant opportunity to align proposals for housing and economic growth and to ensure that economic growth in East Durham is supported by a wide range of upgraded and new houses, including affordable homes.

Table 3.10 presents policy priorities for the Wear Link FEA.

Table 3.10 Wear Link Priority Actions

Wear Link		
Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Provide support to growing companies in the FEA which may provide new jobs for local residents with the requisite skill profile. In the context of long term private sector stagnation these companies are of vital importance.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group
Deliver the next phase of development for Seaham and Peterlee, prioritising development which will support preceding investment.	Improvement of the external perception of East Durham; increase in local expenditure and potential property price uplift.	FEA-focussed Led by the CDEP Place Development Group
Establish higher profile anchor tenants in Seaham and Peterlee to upgrade the retail offer from convenience dominated to comparison goods, with a significantly higher quality offer for local residents.	Reduction in expenditure leakage to neighbouring local authorities of Sunderland and Hartlepool. Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Place Development Group
Multiple barriers exist which prevent access to the labour market. These relate to attitudinal, formal qualification levels and transport linkages. These barriers are complex but can begin to be addressed based on more effective consultation with key employers in the county to understand their requirements and address these where possible. This may involve low cost solutions.	Increased employment and opportunity for residents.	Countywide Led by the CDEP Place Development Group
Protection of tourism assets such as the Heritage Coast is a priority, furthermore the industrial and social heritage connected to coal mining and its associated communities offers the opportunity for further tourism development.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group



3.6 South Durham

To the South and West of Durham City, this FEA contains a wide variety of settlements and areas. This area includes economic ‘cold spots’, found in the former industrial areas around Bishop Auckland and Newton Aycliffe, where there is limited local employment opportunities and lower proportions of higher level skills. This tends to lead to above average benefit claimant rates. These cold spot areas also have long term issues with deprivation and entrenched benefit dependency. Despite their geographic proximity to employment sites and the Tees Valley City Region, these areas still exhibit indicators of economic weakness and dependency, with low car ownership and a relatively small outward flow of commuters. They also demonstrate less variation between resident and workplace wage levels, confirming a greater reliance on the limited opportunities in the local economy.

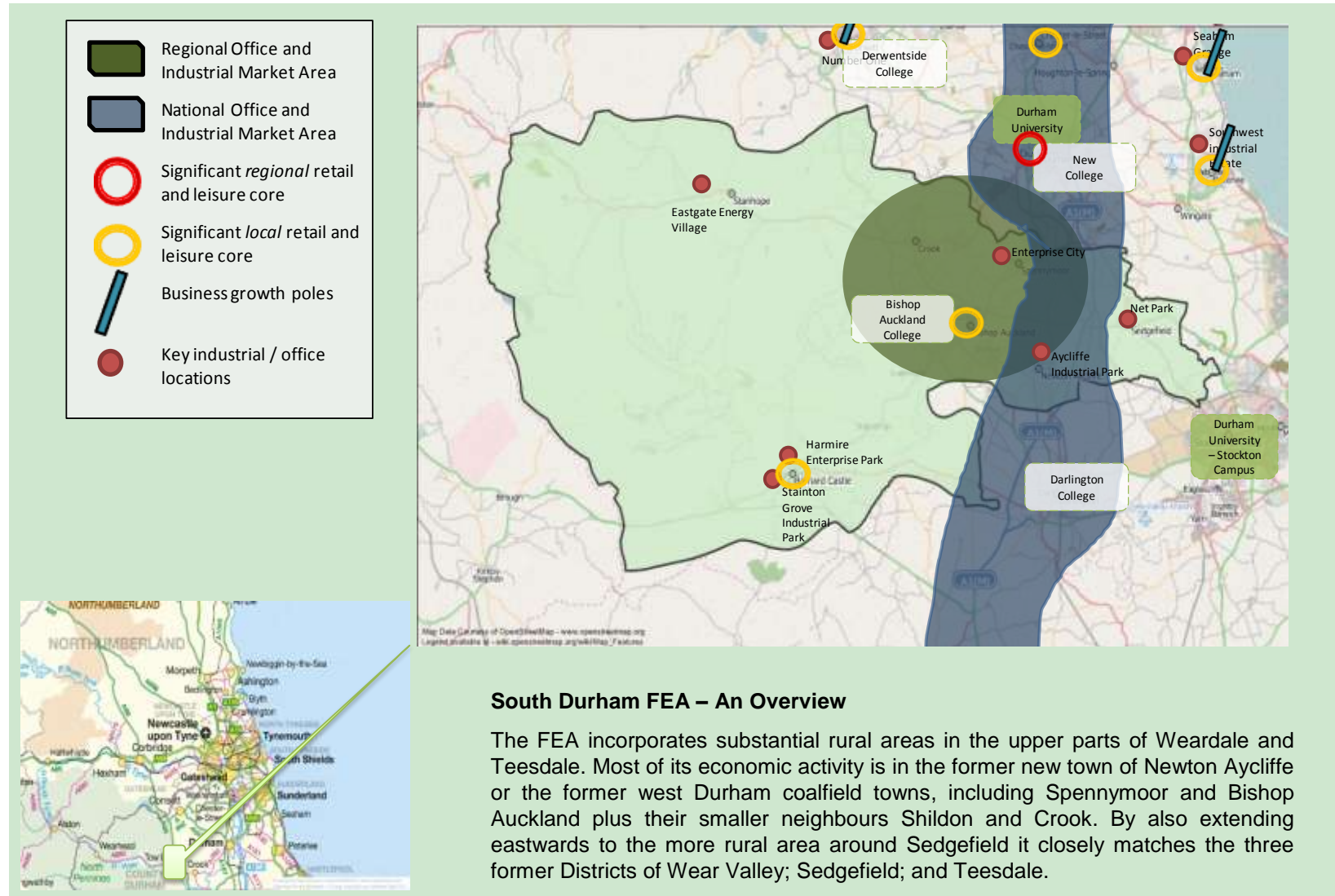
This FEA also includes economically active and successful market towns within a short distance of employment centres, but not necessarily the major conurbations, in a corridor to the west and south of Durham City (i.e. including places such as Barnard Castle). Further west, more rural areas, with high levels of agricultural employment and home working, are found which correlate well with the larger and more sparsely populated areas covered. Housing affordability is a major challenge, especially for those residents reliant on local employment opportunities. Inward migration is likely to increase these pressures.

A summary of headline indicators for the FEA is provided in Table 3.11Table 3.5

Table 3.11 South Durham FEA Headline Statistics

% of County Durham business base	38%
% of County Durham employment	32%
% of residents below NVQ Level 2	26%
% of residents with NVQ Level 4	42%
Sectors with greatest employment:	Public Services; Manufacturing; and Tourism
Major Centres	Newton Aycliffe; Spennymoor; and Bishop Auckland

Figure 3.34 South Durham FEA



South Durham FEA – An Overview

The FEA incorporates substantial rural areas in the upper parts of Weardale and Teesdale. Most of its economic activity is in the former new town of Newton Aycliffe or the former west Durham coalfield towns, including Spennymoor and Bishop Auckland plus their smaller neighbours Shildon and Crook. By also extending eastwards to the more rural area around Sedgfield it closely matches the three former Districts of Wear Valley; Sedgfield; and Teesdale.

3.6.2 Breakdown of Economic Flows and Linkages

The following sub-sections provide analysis of various flows which have been used to establish FEAs for the County. A full outline of each of these issues and analysis at County level is contained in Chapter 2 of this report.

Figure 3.35 illustrates the Travel to Work areas which correspond to the South Durham FEA. This highlights that the FEA has minor areas of overlap into lightly populated areas of the Tees Valley. The largest travel to work area corresponding to the FEA connects most of the former districts of Wear Valley and Teesdale (plus a small outlying part of Stockton on Tees). The smaller travel to work area centred on Darlington includes a very small part of the County.

Figure 3.35 South Durham FEA and Travel to Work Areas

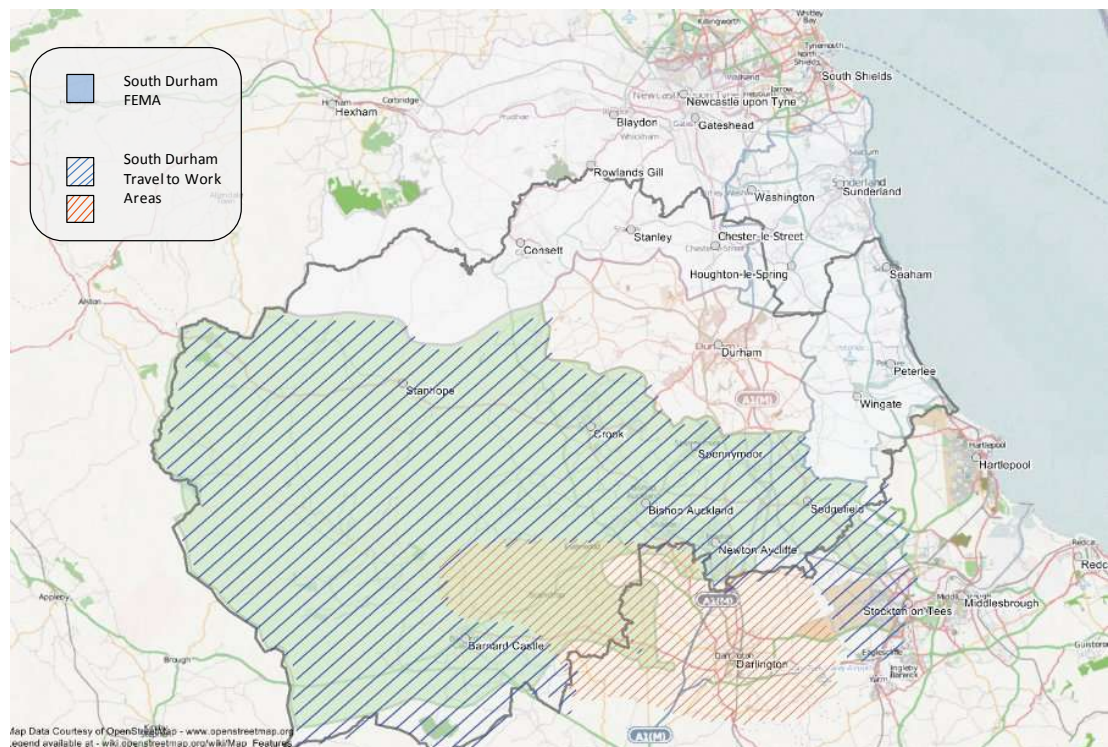


Figure 3.36 outlines the high skilled labour market areas which correspond to the South Durham FEA. This analysis illustrates that the parts of the FEA in the southern extremities of the County have stronger links with the Tees Valley than with Tyne and Wear.

Evidence presented here illustrates strong linkages with the north of the Wear Link FEA and the entire Durham City and Tyne Link FEAs. It is also interesting that this indicator provides evidence regarding the high quality residential offer in County Durham, with a desirable living environment in the rural east of the County providing high quality housing for high skilled workers who work in Durham City and the Tyne and Wear City Region.

Figure 3.36 The South Durham FEA High Skilled Labour Market Area



Figure 3.37 illustrates that the FEA has a relatively self-contained housing market area which does not exhibit very strong links with other parts of the county. However it does illustrate strong links with neighbouring Darlington.

Figure 3.37 The South Durham Housing Market Area

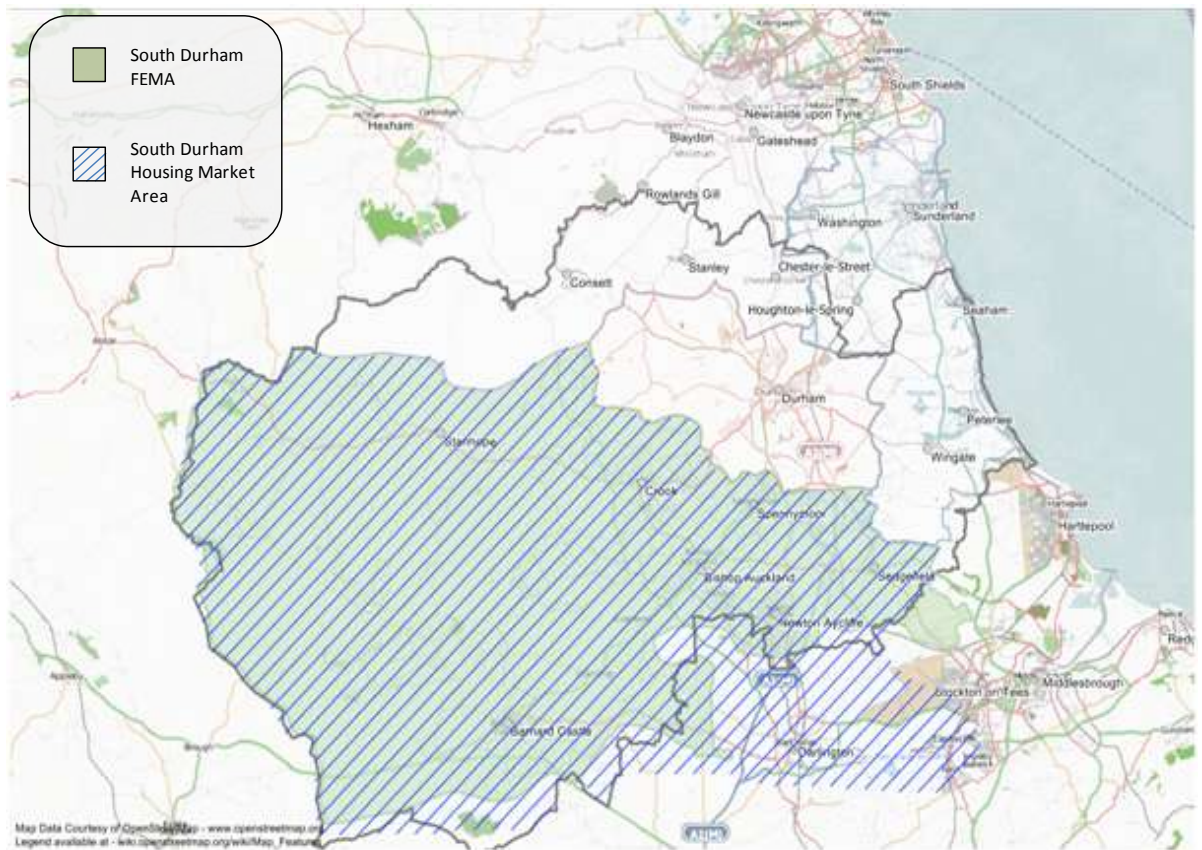


Figure 3.38 South Durham Further Education Catchment Areas

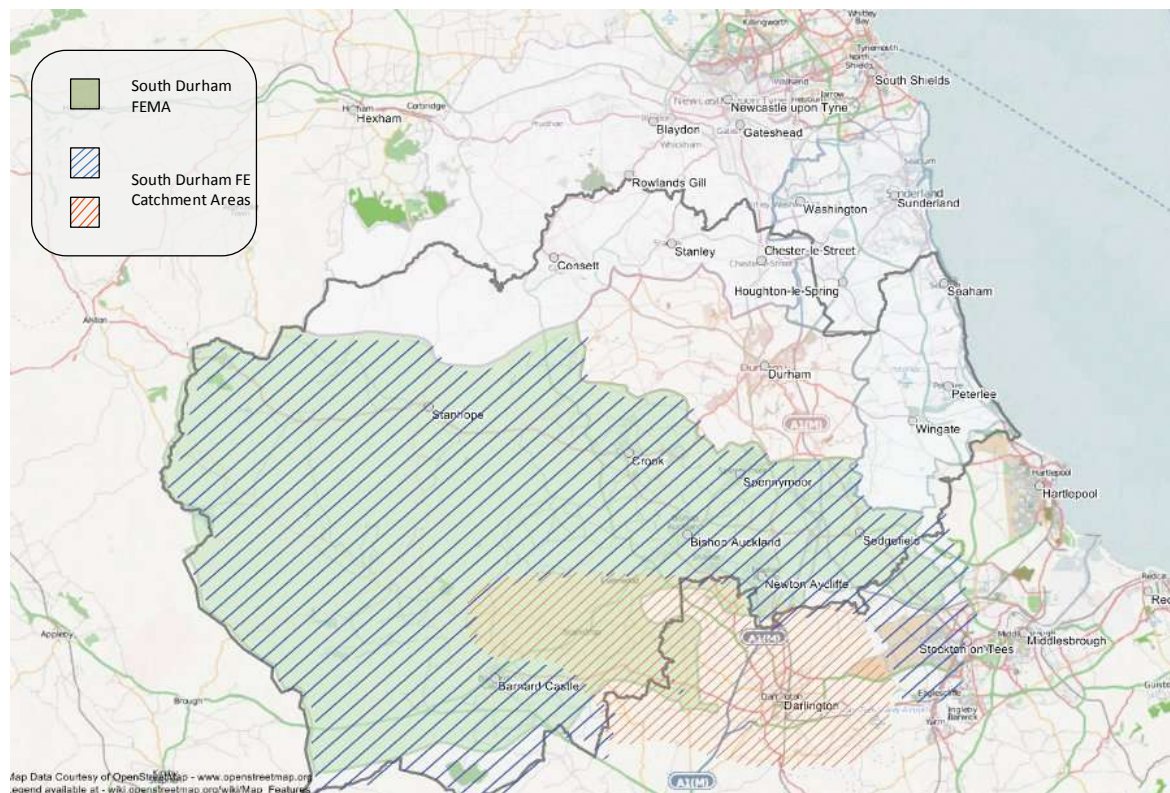


Figure 3.38 illustrates that the further education catchment area matches the travel to work patterns outlined in Figure 3.35. This analysis is interesting as it highlights the relative importance of Bishop Auckland and Darlington Colleges. Interestingly this analysis provides further evidence of some of the economic linkages with the Tees Valley. Whilst the combined linkages have not proven to be strong enough to result in a combined FEMA, it is clear that Darlington does play an important, if less than expected, role in the flow of workers and learners.

3.6.3 Business and Employment:

The South Durham FEA accounts for over half of the land in the county. It contains a mix of predominately rural areas to the west and south of the county and more urban areas to the east of the county, characterised by stronger transport linkages. Overall the South Durham FEA accounts for 38% of the County's business stock and 32% of all employment.

The key sector concentrations are Public Sector (22,400) and Manufacturing (10,100). Total Public Sector employment nearly doubled between 2000 and 2008. There has also been significant growth in the Tourism sector during this period, from 2,800 jobs to 6,800, reflecting the significant offer that this FEA has in this respect. Whilst this is partly a function of the rural assets that the FEA holds there are also significant high quality attractions such as distinctive town centres such as Barnard Castle and some significant restaurants and bars which draw trade into the county from the Tees Valley

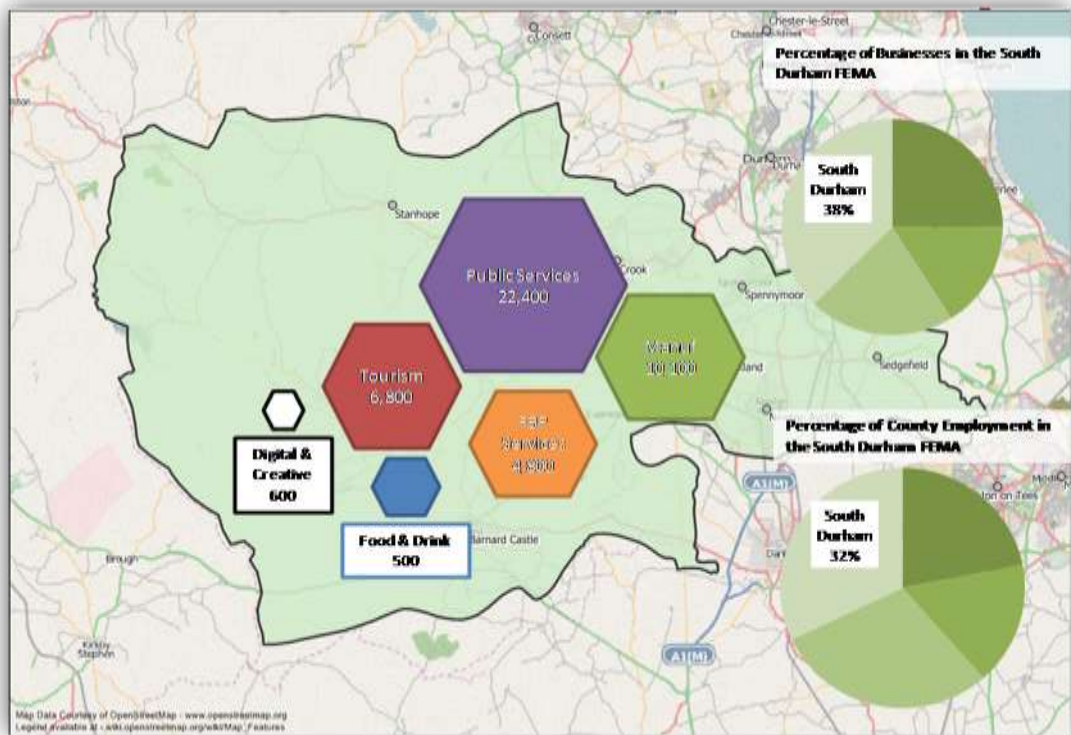
Since 2000 employment in some industries has fallen significantly. For example, the Food and Drink (-61%) and Manufacturing Sectors (-24%) have seen significant reductions. However the FEA has shared in countywide employment growth in the Digital and Creative Sector (+19%) and the Financial, Professional and Business Services Sector (+31%). This reflects the desirability of the environment for companies who do not necessarily require close proximity to raw materials and large markets.

Micro business growth has been relatively low in the western, most rural areas, of the County. Recent broadband mapping activity and regional policy discussion has explored the

potential of rolling out broadband in rural areas as a means of encouraging small/home office business growth, and in particular to provide the means by which micro and lifestyle businesses can grow if they desire to do so. This reflects the need to constantly review and invest in high speed broadband to attract and retain companies in the area.

Inward investment opportunities to the South Durham FEA have been small. However this is to be expected, given that there are relatively few available sites and premises compared to other parts of the region. Significant cross-border investment and expansion activity in the Tees Valley (principally in the Construction, IT and Health Sectors) do offer potential opportunities for residents in the FEA given the significant flows of workers and learners between the Tees Valley and the south of County Durham. Figure 3.39 outlines the employment profile of the FEA.

Figure 3.39 South Durham Business Base and Key Sector Concentrations



3.6.4 People

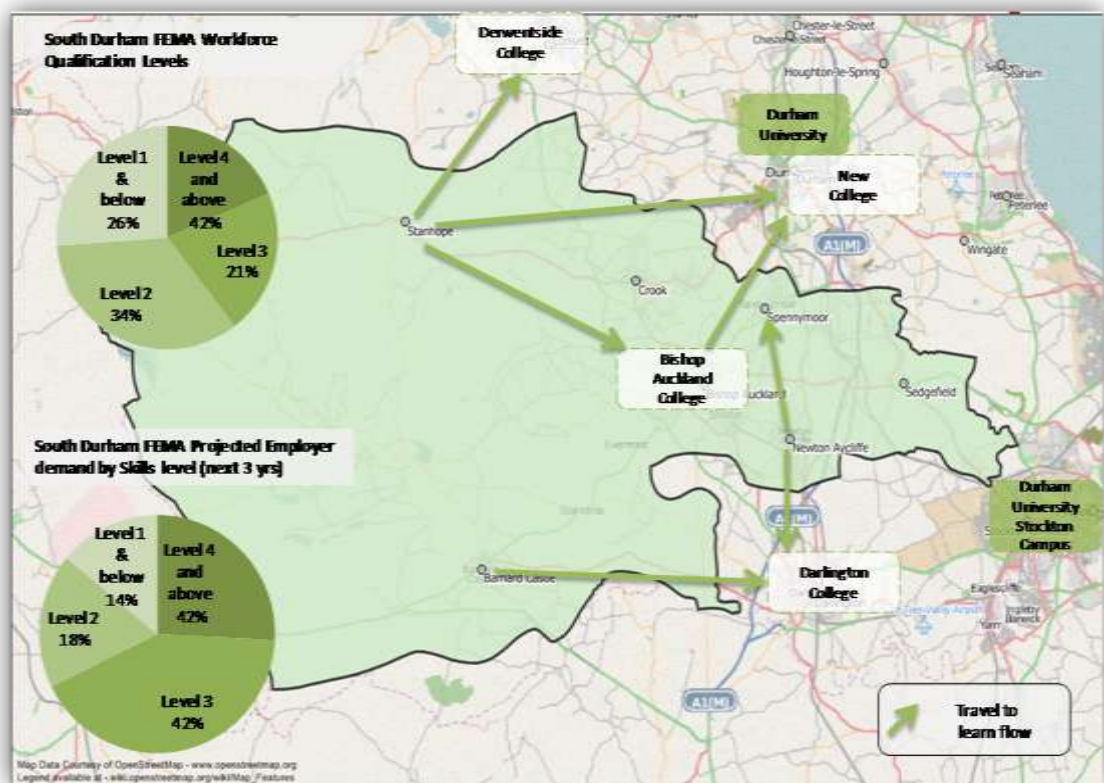
The proportion of the working age population holding NVQ Level 2 as a highest level of qualification is relatively low compared to other FEAs. As with other indicators the picture varies across the FEA. Low skills are particularly evident in the Spennymoor, Newton Aycliffe and Sedgefield, reflecting the existence of a low-skills equilibrium (with low business demand for skills and low resident supply establishing a mutually self-reinforcing status quo). However areas such as Crook, the rural west and Barnard Castle exhibit slightly higher Level 2 attainment, reflecting higher salaried commuters to Durham, the Tees Valley and other knowledge intensive employment (including GSK).

A similar pattern is observed when one considers Level 4 attainment, with the area around Barnard Castle exhibiting particularly high attainment. Indeed it has similar levels of graduate level residents as Durham City. This reflects some of the issues outlined previously but it should also be pointed out that this is indicative of the significance of Barnard Castle as a key, distinctive market town, which should be considered a 'jewel in the crown' for County Durham. Recent regional policy initiatives have recognised the town as one of four market towns considered strategic priorities for investment in the region (with Alnwick, Berwick and Hexham).

An aggregate picture of future skills demand suggests that there is not likely to be a significant demand for higher level skills in future. However this is a reflection of the diversity of the FEA - further interrogation of the data indicates 'demand hotspots' centred on Barnard Castle, Bishop Auckland and Crook, with contrasting 'cold spots' around Spennymoor, Ferryhill and Newton Aycliffe, which exhibit lower future demand.

This skills demand picture does not directly correlate with the picture of worklessness in the FEA, there are significant concentrations of benefit dependency in SOAs in Crook and Bishop Auckland (in addition to significant concentrations in Spennymoor, Ferryhill and Newton Aycliffe). Figure 3.40 summarises some of the main learner flows and issues from analysis of skills data.

Figure 3.40 South Durham: learner flows and key learning hubs



3.6.5 Place

As with other policy domains the South Durham FEA presents a mixture of strengths and challenges in relation to place issues. The FEA exhibits strong shopping and leisure flows into Bishop Auckland - this is clearly the most significant service centre for the FEA.

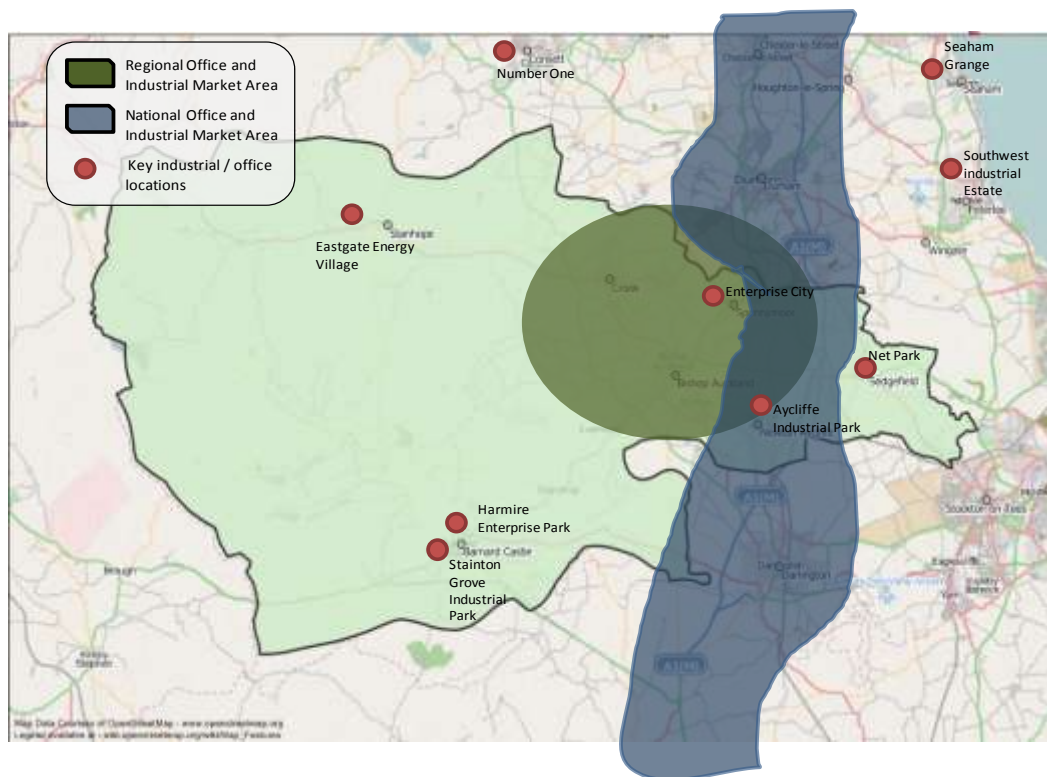
As referenced above, a policy focus on Barnard Castle also highlights the existence, and further potential, of the town as a cultural and creative hub, with significant potential in terms of retail distinctiveness.

Linkages with Durham City in terms of leisure and retail are also very strong. However those areas to the south of Bishop Auckland also exhibit strong linkages with Darlington, reflecting its nearness and the comparative strength of its retail and leisure offer.

The connectivity, and economic development potential of this FEA is highly significant. Barnard Castle is recognised as a key local office and industrial market area. Additionally Bishop Auckland, Crook and Spennymoor are recognised as key regional office and industrial market areas. Furthermore the FEA includes access to the A1 and a nationally

significant office and industrial market area. This is currently being realised through existing initiatives such NETPark and newer developments such as Durham Gate.

Figure 3.41 South Durham: Spatial Policy and Assets



3.6.6 Constraints and Challenges

The economic picture across the South Durham FEA is varied, with strong actual and latent economic potential in a number of areas. This includes high levels of enterprise and business start-up activity in the FEA. The challenge of growing the knowledge economy and strengthening links between knowledge-intensive activities and traditional industries has been known for some time and is recognised in the Regeneration Statement. This FEA highlights the scale of the challenge. New, world class industry is being established at NETPark, very close to traditional manufacturing activity taking place on well-established industrial estates in South Durham. A collaborative approach is required, which encourages knowledge exchange and innovation through platforms such as Virtual NETPark and links between niche knowledge based activities and Higher Education.

The FEA also includes economic 'cold spots' to be found in the former industrial areas around Bishop Auckland and Newton Aycliffe. Reliant on the limited opportunities in the local economy, with low car ownership and a relatively small outward flow of commuters, these areas remain stubbornly weak. Here the challenge is to increase local employment opportunities and improve skill levels, overcoming long term issues with deprivation and entrenched benefit dependency (expressed through stubbornly persistent above average benefit claimant rates, despite a wide variety of projects and significant funding).

Stakeholders pointed to the importance of ensuring that the local workforce benefits from new and existing employment sites in the south of the County (including bringing forward a range of quality sites and premises through advancement of mixed use development, such as Durham Gate). Our analysis has shown relatively weak economic linkages to the south of the County, which should not rule out future collaboration across employment sites in the Tees Valley City Region,

Importantly for the Economic Assessment and future strategy, the diversity of these settlements, their needs and opportunity, point to the importance of not treating the FEA as a homogenous entity. The evidence base points to a number of challenges in respect of:

- accessibility, including the need for improved communications to facilitate better access to services and economic opportunities (markets and jobs);
- diversification, including the importance of encouraging and facilitating economic diversification away from the traditional and declining employment and business sectors;
- affordable housing, including the lack of inexpensive housing opportunities for rural residents; and
- migration, including the unsustainable shift of the population from urban to rural settlements.

These issues have been made more challenging through the recent recession. Indeed a recent national LGA study found that, in deprived areas, levels of worklessness have actually continued to worsen during periods of economic growth since the recessions of the early 1980s, and have increased during subsequent recessions, creating a 'rockpool' effect. This research shows that whilst the tide of recovery can lead to the recruitment of large numbers of unemployed people it also leaves behind significant, established, areas of long-term worklessness which become more and more difficult to support.⁵⁶

3.6.7 Future Directions

The South Durham FEA must remain a place where people both live and work, providing services and offering opportunities to improve the work-home balance and create more sustainable travel patterns through home or remote working. Over the last few decades the centralisation of many services has led to a decline in services available, notably in rural areas. Community-based businesses such as village shops and post offices are vital to maintain vibrant and sustainable rural communities. In addition the voluntary sector is a key resource and underpins many of the activities that take place across the FEA.

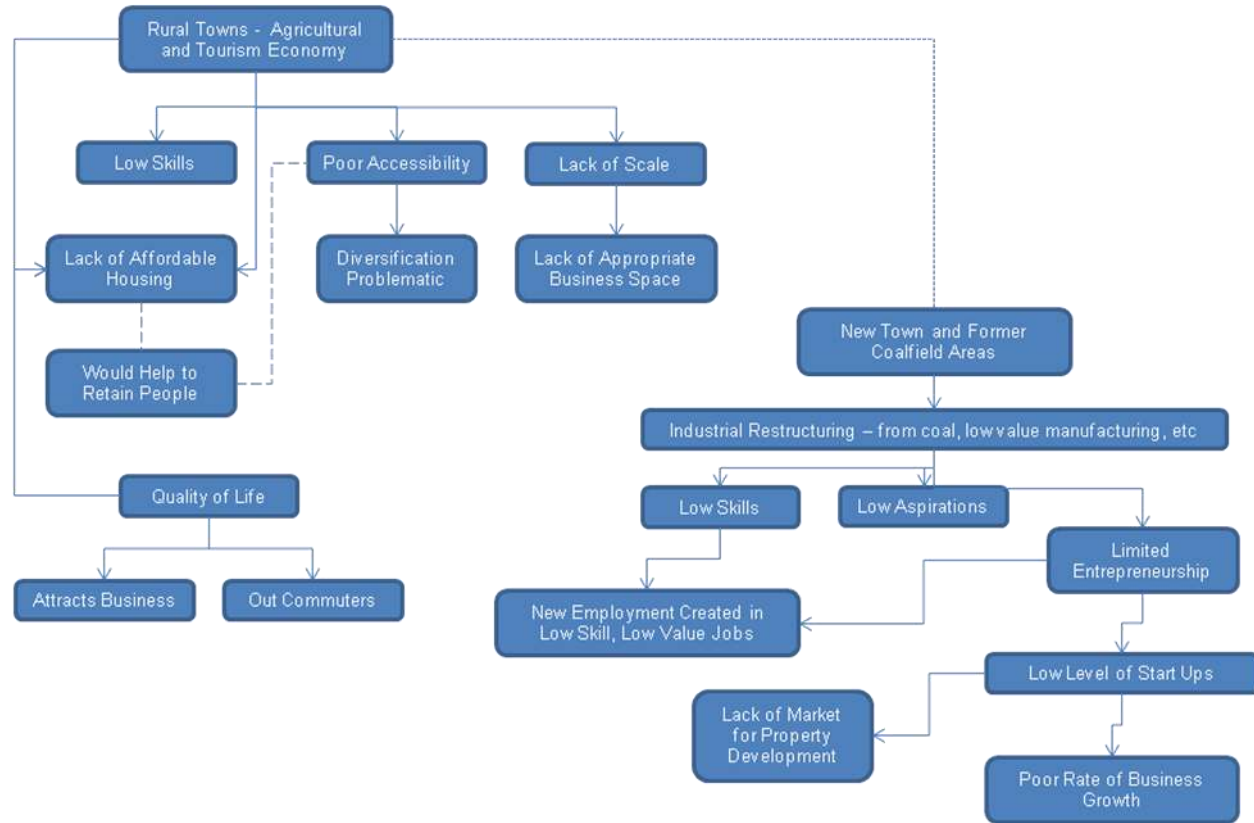
Enterprise and accompanying skills development is also needed, to create new market opportunities for local products and local assets. Tailored employment solutions must be found which meet the particular needs of businesses and communities. Durham County Council needs to continue working closely with European partner regions helping develop rural policies, exchanging best practice and learning from them.

Investment in infrastructure is critical to providing sites for enterprise, to the development of supply chains and to an adequate supply of affordable housing in more rural communities, which can maintain a working population, particularly young people and young families. The creation of local jobs cuts down on long travel work distances, cutting down on carbon emissions and enhancing quality of life.

The causes of the prevailing economic circumstances in the South Durham FEA are illustrated in Figure 3.42, highlighting the multi and inter-related causes and events.

⁵⁶ Local Government Association (2009), *From Recession to Recovery II: A Focus on Unemployment*.

Figure 3.42 An Overview of the South Durham FEA Economy



As part of the Economic Assessment, we suggest the following general principles should inform programme development and investment priorities:

- **Economic success without environmental sustainability is not an option.** The quality of life in some rural parts of South Durham is a competitive advantage. To undermine it is to damage a key resource of the County's success. The challenge is to achieve sustainable prosperity within environmental limits. Environmental technology businesses are extremely well-placed to benefit from the need to manage natural resources more wisely. Maintaining and improving the biodiversity of the FEA is both a by-product of successful action in these areas, and a focus for action in its own right. In addition to its intrinsic value and its contribution to maintaining and enhancing the FEA's biodiversity, green infrastructure adds value to the economy and to community health. Communities need to be engaged in the care and improvement of these assets. In rural areas, re-use of redundant building offer a valuable resource for supporting the growth of rural businesses.
- **Enhance the FEA's major capital assets and maintain the high quality of its environment.** There is considerable scope to develop the environmental economy further and maximise its value to the County by maintaining and enhancing its biodiversity, and by investing in its heritage assets and green infrastructure. New developments should strive to include these amenities wherever possible, maintaining the network of green spaces in urban areas, the countryside in and around towns, and the wider countryside.
- **Quality places are a vital asset for economic success, as well as community well-being.** A quality environment and quality of life are important factors in attracting investment and skilled people to the FEA. Equally a run down, degraded environment is one of the main barriers to economic and neighbourhood revival, where the cost of crime drain resources from local authorities and effect the bottom line of local business. Successful place-making is as much about process and people, as it is about product and built solutions. High quality and sustainable environments result when people have been involved creating them and the best results emerge when local people work closely and intensively with experts from all the necessary disciplines. Probably the greatest challenge is facing the built environment in the next five to ten years will be changing the way we design, build and operate buildings and spaces between them. Any developments need to become more environmentally responsive and to take account of the real cost of using natural and man-made resources.

There is a need to create jobs, tackle pockets of economic inactivity and build up the infrastructure that would be needed to arrest decline. In these conditions, development is cast more as a 'survival' agenda rather than a competitiveness agenda, requiring a pro-active stance on managing change (e.g. through the continual improvement in the performance of businesses and other organisations such as public bodies), which has traditionally been slow because of delays in providing the infrastructure, lack of adequate services and difficult access to those that exist could trap people in low-paid jobs, detach older people from the labour market and encourage more young people to leave the area. The evidence review carried out for this study, coupled with data analysis and stakeholder and business consultation, suggests that a focus on the following types of policy initiatives is key to unlocking the economic potential of the South Durham FEA:

- **A wider concept of development** It is important to move away from the notion of South Durham as a rural area, merely contributing to 'quality of life' to stress the economic contribution of rural localities. Rural areas contain manufacturing and service industries as well as the traditional land based industries. There is a need to exploit the potential of the knowledge economy for new business creation and development, and stimulate the take up and effective use of broadband. Activities under this priority should result in increased formation of new businesses, particularly in the most deprived rural areas and improved access to high quality infrastructure, including ICT, business advice and skills.



In stimulating rural enterprise, research commissioned by Durham County Council supports the development of home-based businesses, particularly women owned businesses, and recognises the importance of micro businesses and the major contribution made from the voluntary sector and the potential for social enterprise. Success will depend on ensuring businesses have access to a good advisory infrastructure that will maintain the breadth and competitiveness of business activities in rural areas, including mentoring services and the use of ICT, and

- **Attractive places for leisure and recreation:** For more accessible areas in particular, the countryside plays a valuable recreational role, a place for urban residents and tourists to visit and relax and hence to contribute to their quality of life. Rural areas provide 'quality environments' that form regional environmental assets. South Durham has a massive role to play in this respect. Transport improvements can ensure that it derives maximum value from its position between the two City Regions. There is a need to invest in and promote the area's cultural, heritage and landscape assets, and develop the visitor economy linked to the conservation of a high quality environment. Activities under this priority should result in a set of higher value tourism propositions, which secure the benefits of increased visitor spend for rural communities while supporting the sustainable management of rural landscapes.
- **Attractive residential and business locations:** Attracting relatively highly skilled in-migrants and encouraging existing talent to stay. This includes promoting and protecting the residential appeal of rural areas. There must also be an acceptance that, in addition to benefits for the County, strengthened connections with the Tees Valley may involve a greater contributing to City Region economic growth than that derived by the County. South Durham also offers particular qualities as a location for many types of businesses, with considerable potential for further development as innovations in ICT make an urban location less of a necessity for some types of businesses. Publicising and protecting this offer is of particular significance in more rural areas of the FEA. The aim should be to ensure sufficient employment space of the right quality, type and size and support its competitiveness, creating the climate for long term investment through efficient land resources, working with local communities to make the best use of use existing redundant buildings, exploring the potential of community buildings in rural areas to become enterprise and service hubs

Table 3.12 presents priorities actions for the South Durham FEA.

Table 3.12 South Durham Priority Actions

South Durham		
Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Reflecting the relatively under developed travel to work and housing market linkages with the Tees Valley, consideration of long term sites and premises trends, and development plans, will provide a better understanding of possible futures for major established sites such as Newton Aycliffe.	Retained employment in large employers, additionally it is important to ensure suitability to attract any possible relocation of companies through suitable sites and premises.	FEA-focussed Led by the CDEP Place Development Group with the Tees Valley LEP
The role of small towns is particularly important in the South West FEA. The distinctiveness of Barnard Castle, as a unique market town, and of Bishop Auckland, as a sub-regional retail and leisure hub, should be protected and expanded if appropriate investment opportunities can be identified	Council and partners providing leadership, with small towns regenerated to improve employment and services for themselves and their hinterland based on local needs.	FEA-focussed Led by the CDEP Place Development Group
Develop the visitor economy linked to Durham City, based on quality landscapes and historic heritage, with improved marketing aimed at increasing duration of stay in the County	The value of heritage tourism recognised with improved tourism enterprises.	Countywide Led by the CDEP Business and Enterprise Group
High speed broadband is key to modern business operation, regardless of sector. Strengthening the support for flexible ways of working, including home-based workers and teleworking, offers an opportunity to exploit the quality of life offer in the rural parts of the FEA, where access to a wide range of employment opportunities is limited.	Employment and enterprise in rural areas can be increased through removing key communication barriers and establishing re flexible working patterns/reducing carbon emissions.	Countywide Led by the CDEP Place Development Group
Tackling hidden unemployment or underemployment in the rural West of the FEA necessitates that local partnerships, involving the Voluntary and Community Sector, local community infrastructure and mobile services, deliver a more focussed and responsive range of services to local communities, particularly in relation to assisting those who have become disengaged from the labour market. Sector growth in creative and digital / financial and business services has not recovered jobs lost through a decade of manufacturing contraction.	Increased employment; use of community buildings and improved accessibility to services for residents.	FEA-focussed Led by the CDEP Learning and Skills Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of	Retained employment in knowledge-intensive sectors on NETPark and increased “lock-in” to the County from other	Regional



choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	companies involved in virtual access to the knowledge base.	Led by the CDEP with the North East LEP and Tees Valley LEP
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4 Policy Responses

Within this chapter we suggest the policy responses available to promote economic growth across County Durham, as highlighted in the FEAs, drawing on approaches adopted elsewhere and highlighting the lessons that can be learnt. It summarises some of the main messages from our consultation, when we spoke to a range of stakeholders across sectors, with in-depth understanding and knowledge of the County.

It is worth noting that nearly every respondent felt that improvements to quality of life in County Durham depended on public policy levers being used. The market alone will not address the problem, with support for Durham County Council working closely in partnership with business to promote the broad strategic direction for growth and development, which must clearly influence and align economic development programmes (particularly related to up-skilling) and planning policy.

4.1 Overview of Stakeholder Views

County Durham has assets but nothing that sets it apart from the rest of the UK. There are many areas like County Durham in the UK, and many better places to start a new enterprise or relocate an existing company. However there is no reason why the County should have lower rates of economic and entrepreneurial activity than the rest of the region. Stakeholders consistently identified five key issues which they suggested underlay sustainable economic growth across County Durham:

- The skills and education of the local population, to address the significant differences between resident's skills and the performance of schoolchildren in local areas.
- An effective vision and strategy, with stakeholder alignment behind the vision and strategy.
- Business involvement in evolving decision making structures, providing the competence to 'understand' the change drivers and then react accordingly, with business support provision being more demand-led.
- Pro-active planning to improve the quality of business accommodation available, the surrounding public realm and accessibility (i.e. transport and communications).
- The relative fragility of the County's economy, including the reliance on public sector investment and the need to restructure its employment profile.

Nearly every respondent mentioned or agreed with the proposition that the challenges facing the County are multi-dimensional. The need for a 'vision' was clearly understood, reflecting a requirement to understand that the causes of economic underperformance differ according to the prevailing contingent circumstances (i.e. the business promotion agenda may fail if supporting policy initiatives are lacking or if the prevailing economic circumstances are not favourable). This multi-dimensional and complex picture hardly makes life easy for the policy maker. However, one over-arching theme seemed to dictate the actions of many of the stakeholders, namely the skills agenda. The agenda took many forms, including a direct focus on education, across attempts to improve the links between Higher Education Institutes and business and programmes to promote more entrepreneurial attitudes.

4.2 Skills and Education

County Durham has made rapid progress in recent years in improving employment and skills performance, but it still faces significant challenges. The County has a predominance of relatively low value, low skilled occupations and the recent recession threatens to undermine positive movements in the region's labour market. There is therefore a critical need to both keep skilled people in work wherever possible, and support those made redundant to find work and retrain, to retain key skills.

Right across County Durham the evidence is clear – FEAs with a high percentage of those classified as unskilled are the areas with the worst economic performance. Correspondingly, areas with a high percentage of skilled workers perform well in economic terms. Information made available by then Learning and Skills Council highlights that 69% of those working have attained qualifications at Level 3 or above while 45% of those not in employment and not looking for work have either no qualification or the highest they have attained is below Level 2.⁵⁷

Reasons given for the high percentage of unskilled workers include the following:

- the presence of traditional and declining industries, few modern industries;
- a lack of easy access to institutions of further education;
- the low aspirations of the local population; and
- difficulty in encouraging SME (small and medium enterprise) to fully engage in the learning and up-skilling agenda.

Local agencies will need to work together to develop programmes to raise the level of economic activity and growth. This will include assisting the local workforce to gain the necessary qualifications and skills needed by existing and future employers. More people with skills will be required at all levels, particularly at NVQ level 2 and at NVQ level 4 and above.

The deficit in skills that is evident across much of the sub-region must be addressed directly through significant, ongoing investment. The economic geography of County Durham demands different responses for different circumstances:

- **Durham City:** A key driver of growth is the presence of a relatively high concentration of high skills organisations, providing high value jobs that make use of the skilled workforce available (e.g. through a concentration of knowledge intensive business services, hospitals and public administration). Durham University is a vital component of the City economy and there is scope to enhance its role in skills development, transfer of knowledge and graduate employment schemes. Aside from graduates, who bring their knowledge and expertise to a new work environment, it disseminates knowledge to firms through research contracts, academic consulting activities, publishing and technology licensing. Wherever possible, opportunities should be found to utilise the knowledge and technology they acquire (e.g. through the formation of start-ups and spinout companies) to increase the productivity of area. In addition, the overall 'skill set' of the economy could be enhanced by focusing on the bottom non-high tech part of the economy, promoting employment in tourism and the wider service economy.
- **Tyne and Wear Link:** There are a higher proportion of lower paid, lower skill marginal manufacturing operations in these FEA, occupying relatively poor premises. Historically this has meant that there has been little investment in training. It has also been more difficult to engage employers in training and workforce development due to the low number of large employers in the area. Poor skills development in turn has hindered educational achievement and aspirations limiting entrepreneurial activity. Persuading the existing employer base to invest in training and workforce development has become increasingly difficult as Government has placed an increasing onus on employers to take the training risk and the number of employers who have the capacity to do this in the local area is limited. There is a need to focus on increasing basic skills levels, enhancing the employability of individuals. These basic skills primarily concern literacy, numeracy and communication, which translate into employability attributes through an increased ability to follow instructions, understand customer needs, team-working, initiative taking, etc.

⁵⁷ LSC, Durham Skills Survey (2009)

- South Durham: This FEA includes towns such as Spennymoor and Bishop Auckland which have suffered the loss of the technical expertise and skills in indigenous firms and their replacement with footloose branch plant employers. A key priority will remain the need to meet the employer demand for skills – identified needs are both basic and higher level skills (i.e. basic and Level 2 targeted at those with no or low level skills). The area has a relatively high proportion of manufacturing which continues to adapt to new and emerging technologies for the future. The impact of lean manufacturing and business improvement techniques has led to significant improvement in productivity, with business support to encourage this being an ongoing priority (e.g. encouraging workplace learning centres, linking programmes of skills development to major new employment developments, etc).

4.3 An Effective Vision and Strategy

A crucial characteristic of successful local economies is not simply the presence of a skilled workforce but the relationship between the suppliers and consumers of that labour in the universities, research institutes, government and private sectors. In terms of the links to be established with Higher Education, this is explained in terms of the following:

It is the commercialisation of intellectual knowledge, which is the key to innovation. Hence, it is not simply the numbers of students enrolled in universities but the attitudes, roles and relationships of the university and higher education sectors. Competitiveness flourishes where there are good working relationships between researchers and decision-makers where universities encourage staff with incentives and support to explore the economic potential of their research. This is very often a matter of attitude.⁵⁸

Research undertaken on the economic development strategies adopted in other regions highlights similar determinants of economic growth as those mentioned by the respondents in County Durham: innovation in firms and organisations; skilled workforce; connectivity; economic diversity; strategic decision-making capacity; etc.⁵⁹

All the most successful local economies are driven by an agreed vision and strategy, by developed strategic decision-making, and by a consistent alignment of stakeholders behind the vision and strategy.

Evidence 1: Competitive European Cities - Helsinki

Helsinki is an example of a city which has dramatically changed its fortunes during the past decade. Ten years ago Helsinki was in deep economic recession. But leaders in the city used that period to devise a new economic strategy built upon communications industry and depending upon close links between the city, Nokia, and the universities which has made it a global player. Helsinki now scores highly in tables of innovation. Helsinki, as a 'core city' that is not large enough to serve as the basis for economic development, forged informal strategic alliances, seeking to organise and act at a wider sub-regional level, mobilising political will around agreed territories and powers and focussing resources on shared priorities.

The vast majority of the respondents felt that the lack of a clear vision and strategy frustrates the private sector (which naturally gravitates to environments characterised by manageable risk and certainty of policy and areas characterised by effective government and governance). More specifically the respondents felt that a lack of a clear vision and strategy made it extremely difficult to adopt a partnership approach to economic development, and

⁵⁸ Parkinson, Hutchins, Simmie and Clark, Urban Renaissance - Characteristics of EU Non-Capital Cities, Report to the Core Cities Working Group (2003)

⁵⁹ For example, see the State of the Cities Report, the Core Cities Statement, Ideopolis case studies presented by the Work Foundation, City Relationships: Economic linkages in Northern city regions.

virtually impossible to engender and maintain. There was support for Durham County Council's endeavours to develop a long term vision and plan for the County and emphasis was placed on including flexible economic development approaches and strategies that allow each FEA to adapt to as yet unknown conditions and circumstances.

The last point is important. Global and national economies are characterised by a marked velocity of change and volatility. There are multiple 'shocks' to a local economy and fashioning a response to the resultant changes is often complex. One-dimensional strategies are unlikely to be robust or remain relevant for long. In addition, there are multiple stakeholder interests and capacities available to Durham County Council. Ensuring alignment around strategic initiatives and working together for common purpose is difficult and made even more so when change is the order of the day. There needs to be a decision-making framework that is responsive to changing circumstances yet retains a focus on what overall goals and objectives – the County improves its long term economic position, social welfare improves and disparities are reduced. Flexibility and focus on a small number of critical outcomes is critical and is recognised as such by many of those interviewed as part of this study.

In order to ensure the successful implementation of any strategy County Durham must make reference to best and most promising practice as regards economic development. Indeed, the County must be seen as an example of best and most promising practice; an exciting and innovative place, with an arresting vision and development programmes that enables and empower its various communities to respond to the important economic and social issues of our time (e.g., environmental sustainability, low-zero carbon growth; energy security, creativity and innovation; employment and social enterprise; community cohesion and the quality of life).

Being so known is an extremely useful component of a place marketing campaign, and, of course, an indication that the economic development strategy is working. There was also support from respondents a small number of specific target outcomes against which to assess the performance of the Partnership (Table 4.13).

Table 4.13 Key Target Outcomes

Activity	Target Outcomes
Executive support to and management of the Economic Partnership	The Economic Partnership is highly regarded locally, regionally and nationally as an effective organisation in improving the economic and environmental well being of the County, and as an effective part of the Local Strategic Partnership.
Timely Business and Economic Intelligence	Shared understanding amongst key partners of the economic well being of the County as a whole and the key business sectors in particular, to inform business and investment decisions
Business Creation and Inward Investment	The County is recognised regionally and nationally as a welcoming place for business and inward investment and business start-ups, the number of which will increase year on year
Business Growth and Retention	The economic trading conditions of the County provide sufficient confidence for business in the key sectors to remain and expand
Skills and Labour Market Development	The skills base of the County's labour market population is sufficient to meet the current and future needs of employers
Influence Decision Making	Decisions taken by local, regional and national partners that may impact the economic well being are consistent with the County's Economic Strategy and the associated delivery

These activities and outcomes can be divided between those that relate to the process of researching, managing, undertaking and delivering the Economic Strategy (the first two outcomes) and those that relate to the actual economic development programmes that are

designed to influence businesses and individuals in the interests of a stronger economy, the last four outcomes that can, potentially, be disaggregated by each FEA.

4.4 Business Involvement and Support

There are a range of business support services available to businesses in County Durham. These encompass Business Link, the County Durham Development Company and the Chamber of Commerce which supports its member companies. Introducing additional business support into this institutional landscape needs to be done carefully and coherently in order to avoid duplication and so confusing businesses.

A number of respondents suggested that businesses in the County are failing for the same reasons, or rather the individuals who start companies in County Durham are making the same mistakes. Some entrepreneurs have commercially viable ideas and products but are not given adequate support to ensure they survive (i.e. suggesting too much emphasis being placed on start-up companies at the expense of helping businesses to survive).

The promotion of innovation is vital. One respondent felt that the research and leading edge science available through Durham University would be critical to future growth and what was needed are 'intermediate' institutions where research can be commercialised and delivered (e.g. enterprise and innovation hubs, broadly on the same lines as NetPark).

Evidence 2: Unleash the Growth Potential of Education and Health

A recent report from McKinsey⁶⁰ argued that education is a huge market—the OECD estimated that in 1980 just over a million students were enrolled at universities and colleges outside their country of origin; that number has now tripled to 3.3 million. This is a significant growth opportunity. For example, educating international students is Australia's third largest export industry. Meanwhile, UK health care could be a £200 billion industry by 2030. The County could think about these sectors as international growth opportunities rather than public sector cost centres. This will require new and existing universities to add capacity and capability to attract international students. In addition, NHS organisations need to be able to restructure and compete for private patients without restrictions, while additional private capital will be needed to meet rising health care demand in the UK.

Intervention related to knowledge-based entrepreneurship would appear to be crucial. Outside the Durham, City FEA, local policy intervention could be based around the creation of a cultural and attitudinal change towards the perception of entrepreneurship and business creation. Such activities are far more difficult to stimulate and activate than mainstream business support. Part of this approach should be enhancing the mechanisms for information sharing, mentoring, accounting for local and global viewpoints and accessing new resources and knowledge. Furthermore, the routes followed by entrepreneurs in their attempt to alleviate these barriers remain an important issue for policymakers, particularly in the least competitive FEA.

Respondents saw value in a review of existing support – its target companies, and the channels used to connect with businesses and the nature of support provided. Business support must be designed to address weaknesses, build upon strengths in key sectors and focus upon developing productive working relationships with other delivery organisations. A carefully designed package of business support is likely to contain elements of the following:

- Leadership Coaching: A leadership coach would work with businesses at a strategic level to review and create leadership development strategies aligned to business goals and then coach them through the implementation phase. A key element of the Coach's

⁶⁰ McKinsey Global Institute, From austerity to prosperity: Seven priorities for the long term (2010)

activities would be working with owner managers to crystallize their vision for the business, then to develop an action plan for the next 12 months to progress the vision.

- Funding Roadmap: A roadmap of the various sources of funding aimed at high growth businesses would be prepared. This would describe a range of funding, including R&D grants, investment etc., available to businesses as well as identifying particular sector specific funding in key sectors. It would also include a decision tool to enable businesses to quickly identify the sources of funding most relevant to their business and its aims.
- Workshops: Workshops would be held to provide advice on topics of interest to a range of knowledge-intensive businesses. Seminars and workshops themed around current hot topics, such as 'surviving and thriving in the credit crunch', and hardy perennials, such as 'Sources of Funding', all offer opportunities to provide companies with useful practical business advice as well as building and developing networks.
- One to one advice: Each business will have unique requirements and the service needs to allow for this. Clients want customised solutions to their individual business problems, not a one size fits all process. Other regions and localities have found that it is the quality and the variety of the support available which is vital and a flexible approach is required to work with clients that enables it to meet these challenges and to provide a customer centric, flexible service.

It is too simplistic to say that County Durham residents are not entrepreneurial enough. People start businesses near their market - there is not a large market in the region - and also depend on the scale of investment to be made, so it is also important to:

- identify the right site at the correct time - which depends on having a range of sites available with a range of characteristics;
- consider incentives where the investment is strategically important;
- understand that labour supply remains important - eventually companies fold or move if their skills are not met; and
- quality or pace of life for business owners and senior management remains a factor in decisions made to invest or remain in the County.

Experience elsewhere, notably lessons learnt from the North East Regional Image Strategy, being proactive and not reactive in relation to inward investment and marketing is vital. This involves developing and defining a compelling offer, based on the key strengths of each FEA and sectors, which is marketed using national and international networks, and high profile activities such as UKTI trade missions and hosting inward investment missions organised by embassies of overseas countries. More specifically, given the resource demands associated with effective marketing it will be important and cost effective to work more proactively with national and regional inward investment teams, making sure the County is prominent in its work.

Business was also keen to remain involved in economic decision making. The benefits to Durham County Council and partners include much needed financial resources, business networks, knowledge and the skills necessary to manage partnerships. For business, engagement in the Economic Partnership brings a range of benefits, focussed around the Corporate Social Responsibility (CSR) agenda, and ranging from employee motivation to enhancing the company's reputation for corporate social responsibility.

Evidence 3: CBI queries coalition regional plans⁶¹

In a sign of business opposition to the coalition's plans to boost growth in the regions, the head of the CBI has warned that new bodies could be 'council-dominated talking shops'. Richard Lambert, director-general of the leading business group, said his members did not want to 'die in a ditch'

⁶¹ Financial Times, 28 August 2010

defending regional development agencies (RDA), which the government is set to scrap. RDAs were set up by Labour to shoehorn investment into Britain's regions and critics say they are unnecessary and expensive. But Mr Lambert spoke of 'real concern' among business leaders about the new local enterprise partnerships (LEP) which are to replace them. The eight RDAs outside London will be replaced in 2012 with an array of smaller LEPs. Eric Pickles, communities secretary, wants economic development determined by natural economic areas rather than regional boundaries imposed from Whitehall. 'Although the government says they are to be business led, it is not clear where the real power will lie and nor do we know how many LEPs there will be or how they will be funded,' Mr Lambert said. 'Some business leaders fear they will turn out to be no more than council-dominated talking shops with no sense of strategic priorities and little economic impact.'

4.5 Pro-active Planning

Respondents, particularly from the private sector, felt that planning should be better integrated, with planning strategies and economic development strategies undertaken separately or only loosely connected. Many of the planners interviewed as part of this study also sympathised with such a view. Planning can and often has been directly instrumental in promoting growth. For example, the North East Technology Park (NETPark) at Sedgefield is successful partly due to the long term commitment made to reserve land for indigenous, knowledge intensive growth, which was unlocked following the release of the former Winterton Hospital site onto the market).

The view that the majority of sites and premises, particularly those based around the County's major centres, are poor was a regularly expressed point of view. There were a number of issues raised:

- The type of business accommodation available, which in many cases was deliberately developed for large scale manufacturing, warehousing, distribution etc is now inappropriate for the majority of the SME community.
- Many large warehouse units are now empty (and in some case derelict), and there is a need to turn them into smaller units. There is also a need to address the demand from small but growing companies (i.e. next step, graduate business accommodation).
- The quality of the surrounding public realm on business parks and industrial estates is not of sufficient quality to attract high quality businesses. Making them look more attractive may make it more likely that they are taken up by businesses, also many business parks would benefit from investment in wireless access.

All agreed that improving accessibility was vital to reduce economic disparities across the County and encourage economic flows and linkages. Accessibility tended to be seen in terms of:

- securing or improving quality public transport links between neighbouring town centres and existing or planned major employment locations; and
- improving linkages between 'disadvantaged' areas and surrounding more prosperous areas.

The quality of transport links was a common issue in the stakeholder consultations, with repeated reference to the fact that North/South links were good but East/West much less good. However one stakeholder suggested that prospective employees were more prepared to travel now because of the recession and resulting scarcity of jobs. Furthermore it was commented on that this is becoming less of an issue and that public transport was improving

Furthermore, accessibility was seen in terms of physical movement of people (transportation) and the movements of ideas (communications, in particular broadband). This raises the debate about the economics of circulation, and national and global linkages. A number of academics, and some policy makers, have argued that the key issue is not so much local knowledge transfer and local accessibility (including building links between local

Higher Education and the local economy), but one of enabling a locality to reach out to sources of knowledge and creativity wherever those sources lie. The objective is to focus on 'connectivity as a means of building the knowledge base and deciding on what works for local advantage, regardless of how 'local' the knowledge is'.⁶²

The issues, of course, are not mutually exclusive; building locally and taking what works from wherever is perhaps a standard approach in many area-based economic development strategies, as are the policy suggestions associated with this seemingly radical approach. Nevertheless the policy suggestions associated with this approach demand serious attention. A number of the respondents from the private sector mentioned a range of possible initiatives similar to those associated with this approach:

- international exchanges of creative people and ideas, school visits abroad and programmes to promote entrepreneurship in schools;
- the offer of higher education training opportunities out of the region and start-up opportunities for returning graduates;
- business support measures that seek to increase access to rapid distribution and logistics networks, international trade fairs and market intelligence through to making available long-term and developmental funding;
- a new initiative with business to engage in community programmes, or exercise corporate social responsibility

The link between improving skills, increased connectivity and enhanced local capacity and capability is a consistent theme through much of the work undertaken for this study. However a degree of caution is required. Increased connectivity by itself may not improve economic activity in every FEA. Indeed, the opposite may occur. Many respondents feared that increased transportation links between areas may lead to the colonisation of 'disadvantaged' areas by those seeking greater housing value and an increase in the dormitory status of the area with little real impact on those who are disadvantaged and marginalised.

Many respondents felt that an important stimulus for growth was the effective re-development of town centres. Many mentioned a range of factors that should be taken into account when the pros and cons of such a redevelopment are being considered, including an improvement in the 'feel' of the place (enhanced quality of life), and the long-term benefits in terms of raising the aspirations of a community. Basic prerequisite for growth are considered to be: the first phase includes planning and preparing for growth, attracting a national high street retailer; then generating growth then requires a functioning commercial property market and speculative development activity; with sustainable growth then requiring the provision of space for ongoing development and growth, including the release of sites.

Evidence 4: Byron Place, Seaham

Seaham was seen as an 'underperforming centre' in terms of viability and vitality. Whilst the centre was able to serve the daily requirements of local residents in terms of basic convenience and basic comparison shopping there was significant leakage to other shopping areas (e.g. Sunderland and the Metro Centre). A consumer survey by the developers highlighted the lack of retail offer in Seaham town centre with 90% of those questioned stating that a small range of shops was their reasoning for shopping elsewhere and 86% stating the choice of stores was not good. In addition 99% stated that they want more 'big name' retailers.

Outline planning consent was granted in 1999, which provided a strategic context for the site's redevelopment, identifying proposed uses, primary access, pedestrian open space and key development parcels. The Byron Place development seeks to 'repatriate' trade by clawing back and retaining trade. Retailers were not locating in the town centre due to its poor catchment retention and

⁶² A Amim, D Massey, and N Thrift, *Decentering the Nation. A radical approach to regional inequality* (2003)

the lack of large floor plates that a modern shopping centre possesses. Byron Place seeks to complement Seaham town centre by providing retailers with the modern location they require and clawing back trade leakage to help boost trade within the whole of the town centre.

The provision of a variety of retail units at Byron Place has encouraged local people to shop in their local centre rather than elsewhere, an idea also promoted through the car park at Byron Place being available to all town centre users to promote links between the new shopping centre and the existing town centre retail offer with accessible pedestrian links between the two. The revitalisation of the housing market in Seaham is also driving the improvement of shopping, leisure and public service facilities in Seaham. House prices rose by 213% in the 5 years up to 2005.

It was felt that improvements to a town centre attracted more people to the town, increased expenditure and often had an intangible but very positive effect on the attitudes and behaviour of the community.

Many believed that physical redevelopment does matter; and matter significantly. But once again the multi-dimensionality of economic growth must be taken into account. Physical intervention cannot be seen to be a prime driver of economic growth. In isolation redevelopment can be costly (and, in some cases, a costly mistake). It has to be part of a package of initiatives and interventions designed to promote economic growth.

4.6 The Fragility of the County's Economy

The recession has shown the County Durham economy to be fragile. The fact that there are a large number of foreign owned companies operating in the County, and the fact that the County is fundamentally still a branch-plant economy makes it vulnerable to decisions made elsewhere. This structural vulnerability made it an inevitable early victim of the recession. A further impact of early recession business closures in the County may have led to the emergence of new pockets of worklessness, with a rising age profile within existing concentrations.

Evidence 5: Public sector job cuts to hit the North hardest

At least one in 10 people will be unemployed in half of UK regions by 2015, an economic think tank has forecast. According to the Centre for Economics and Business Research (CEBR), the unemployment rate will exceed 11% in the North East of England. CEBR's chief executive stated that 'those regions which are currently very dependent on the public sector are likely to suffer a lot more as the public sector gets cut. There has been a massive growth in public spending in the last few years, and that's probably unsustainable as the government is due to detail its planned spending cuts later this year, following a comprehensive spending review. Private sector jobs would also be hit, where private companies rely on public sector contracts'.

The restructuring of the employment profile in the County has resulted in a natural decline in the number of manufacturing companies and jobs. However this has not translated into a rise in the level of private sector jobs. There have been increases in the number of public sector jobs, the Local Authority, NHS and University account for about 40% of employment. Employment in the private sector service industries has not spread much out of the Durham City area.

We live in turbulent and uncertain times; perhaps now is the moment to think about a different way to manage the economy, a different way to implement an economic development strategy; to focus on economic and social resilience rather than growth, and on developing a community lifestyle that generates health as well as wealth:

Table 4.14 Typology of Local Economic Conditions

Resilient and Sustainable Places	Vulnerable and Unsustainable Places
Balance between localised and globalised economy – focus on green / low carbon activities (from housing to industry)	Fully globalised; localised economy weak
Networked business; key businesses operate in national-international value networks with defensible market positions	Individualised; poorly developed local supply chains; few operating within national/international value networks
Innovative business	Business as usual
Progressive public spending (e.g. local procurement and local lead markets)	Spending based on efficiency and the cheapest
Health and wealth generating (a focus on sustainable wealth generation and quality of life)	Generates / focuses on wealth. Forgets that quality of life underpins wealth and health.
Cross sectoral connections, creative and innovative – Triple helix operations (HEIs; public and private sectors working together); place know as a talent attractor / creator.	Sectoral, few connections across sectors. Poor triple helix development. Talent neither retained nor attracted in sufficient numbers
Bottom up and collaborative	Hierarchical and isolated
Flexible governance – results oriented – an example of leading practice – experimental. Supports the development of key and differentiated competencies in its communities	Rigid government – process oriented – doesn't focus on supporting competencies allowing the development of a strong local economy within the context of powerful national and international markets

Success will inevitably be based on distinctive asset development - there is no 'Silver Bullet' – wherever possible fostering distinct assets is key in order to ensure that the County 'punches its weight'. Respondents highlighted the following opportunities and threats:

- NetPark offers clear opportunities to diversify the economic base of the County and there was support for initiatives to support businesses who can exploit technologies being commercialised there.
- However, NetPark was one of a number of opportunities that exist in order to draw in inward investment to the County, with the proposed Seaham Film Studio and Eastgate Renewable Energy Village being mentioned.
- Improvements in workforce skills are demonstrated by increasing 'homeshoring' - increasingly companies in the region who had outsourced manufacturing and assembly functions to low-wage economies are repatriating this function because it is not economical (i.e. due to reliability issues and inflation in former low wage economies).

Evidence 6: Rebalancing Act

A recent report published by NESTA recommends that policy for growth should be focused on two ends: fostering an environment in which innovative firms can flourish; and making sure that the government actions support high-potential, high-tech sectors, wherever possible. Government policy should concentrate on harnessing existing spending – for example through government procurement and university research and teaching – to meet the demands of high-potential sectors. Encouraging innovation across the economy will require the government to engineer a business environment which encourages a diverse pool of ideas to emerge from universities and companies, promotes entrepreneurial risk-taking, and fosters open and competitive markets and a highly skilled workforce.

4.7 Conclusions and Policy Priorities

Our research and reading of the evidence base leads us to believe that there are three primary drivers of economic growth that can be used to promote sustainable economic development across the four FEAs of County Durham, namely: enterprise and innovation; education and skills; and accessibility.

These three factors combined lie at the heart of a strategy to accelerate economic development. But they are liable to 'wither on the vine' in the absence of fundamental drivers deeply embedded in the culture of the County:

- civic and political leadership;
- an effective and robust vision and strategy, including stakeholder alignment; and
- social capital and quality of life of the area.

In order to lay the foundations for long-term renaissance featuring the rise of a new entrepreneurial dynamic, it is necessary to ensure that the underlying cultural determinants of growth were nurtured (e.g. aspirations and motivation, pride in place, community networks, culture, etc).

Many disadvantaged areas are characterised by stagnating if not declining industries, by a production regime, and associated institutional and social structure of the 'past'. It is often vital to identify and establish a new development model or business model for these areas, leading ultimately to a new and effective way in which wealth is generated. For many such areas it is important to ensure that solutions are firmly grounded in the underlying drivers of successful economic performance.

When describing the causes of the prevailing economic circumstances in each FEA, recourse was often made to a discussion of multi and inter-related causes and events. These discussions have been translated into the highly simplified causal diagrams given below. As stated above the expression of the various causes of economic growth and economic disparities differs according to the prevailing circumstances. A particular intervention may fail if supporting policy initiatives are lacking, or if the prevailing circumstances are not favourable.

4.7.1 Policy Priorities

Table 4.3 presents the policy priorities by FEA outlined in the FEA sections of this report.

Table 4.15 Functional Economic Area Policy Priorities

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Cross Cutting		
<p>An agreed plan of action for mainstreaming understanding of FEAs should be a first priority. The plan of action should ensure the spatial dimensions of the FEAs are reflected in policy and through delivery of key partners. Principally this must involve the County Durham Economic Partnership and the North East LEP but also the Tees Valley LEP.</p>	<p>This activity should follow the publication of the County Durham Economic Assessment. Ultimately the dynamics of the FEAs should drive partner delivery with collaborative cross-LA activity.</p>	<p>Regional Led by the CDEP with the North East LEP and Tees Valley LEP</p>
<p>Develop industry champions for key sectors which help develop and facilitate networks that stimulate new enterprise through collaboration and co-operation and make best use of new funding opportunities</p>	<p>Sector-specific action plans and collaborative cross local authority networks can more effectively develop projects, and attract and retain businesses.</p>	<p>Countywide Led by the CDEP with the North East LEP</p>
<p>A local employment partnership between LEPs, Job Centre Plus and employers to agree support and the engagement of hardest to reach customers. This approach must be spatially sensitive, working with the sector trends in each FEA.</p>	<p>Seek an agreement between LEPs, JCP and employers to set aside vacancy opportunities for hardest to reach customers, through tailored pre employment training to clients before applying for vacancies set aside.</p>	<p>Countywide Led by the CDEP with the North East LEP</p>
<p>Develop local delivery initiatives with employers and LEP partners to support employer work-based learning. Support development of the local workforce, including those entering the workforce, and encourage higher level skills contributing to future productivity in the workforce.</p>	<p>Meet the need for up-skilling and re-skilling at all levels, and stimulate businesses to be smarter about increasing their own employees' productivity (i.e. enabling back-filling from economically inactive groups and bring them into workforce to acquire specific skills through this route)</p>	<p>Countywide Led by the CDEP with the North East LEP</p>
Durham City		
<p>Extend the international reach of Durham City through working with the UK Trade & Investment to assist in attracting new research and development investment into the County through encouraging international collaborations with the University.</p>	<p>Build collaborations between international research and knowledge intensive companies/ clusters involving development of a research excellence directory as a communications tool to promote the region's knowledge base and business strengths, both nationally and internationally.</p>	<p>National Led by the CDEP with UKTI</p>
<p>Work with all of the regions universities to increase the rate and</p>	<p>Deepen the relationships between business and knowledge</p>	<p>Regional</p>

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
extent to which companies in the County access and exploit opportunities to improve competitiveness and productivity through new flexible Knowledge Transfer Partnerships.	base, increase the level of opportunity in knowledge based employment for the regions graduates.	Led by the CDEP with the region's universities.
Continue to develop the tourism offer through the World Heritage Site Masterplan and encourage visitors to access other major tourism attractions in the County, such as Beamish Museum, Bowes Museum and the Durham Dales.	Continue the growth and development of Durham City as a major leisure and tourism hub for the region.	FEA-focussed Led by the CDEP Place Development Group
Increase the scope of Durham City's economic performance through planning policy which enables high quality industrial/commercial and a mix of housing development.	Increased knowledge intensive employment in County Durham and increased travel to work flow to the county from neighbouring local authority areas.	FEA-focussed Led by the CDEP Place Development Group
Research, identify and then focus on priority market led technologies, sectors and companies through understanding the required contribution of key sectors, and therefore the scale of required support.	Increased growth in key sectors and higher employment of graduates in key sectors.	Countywide Led by the CDEP Business and Enterprise Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	Retained employment in knowledge-intensive sectors on NETPark and increased "lock-in" to the County from other companies involved in virtual access to the knowledge base.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP
Tyne Link		
Town centre and housing development which creates the conditions for an enhanced retail offer in Stanley, Consett and Chester-le-Street which moves beyond groceries and low value products and services, to comparison goods should be the ultimate objective.	This would prevent expenditure leakage to neighbouring local authorities, principally Newcastle and Gateshead and provide additional local employment.	FEA-focussed Led by the CDEP Place Development Group
Continued support in Consett and Stanley is required for the small business growth that has taken place in recent years. This will involve support services but also infrastructure support through grow-on business space in the county.	Increase business growth and employment in the county; grow the county's reputation a new enterprise hub.	Countywide Led by the CDEP Business and Enterprise Group
Sustain and potentially build on the FEAs knowledge-intensive manufacturing base through closer consultation with these companies in order to understand their needs and explore ways in which other companies across the county can collaborate with them	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county.	FEA-focussed Led by the CDEP Learning and Skills Group

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
Support the FEAs manufacturing base through ensuring that a strong focus on relevant higher level skills provision in the county's further and higher education institution is maintained.	Maintain the county's manufacturing base and reduce the likelihood of relocation to areas outside of the county	Countywide Led by the CDEP Business and Enterprise Group
Develop key leisure and tourism assets such as Durham County Cricket Club and Beamish Museum. Growth of these two assets should be undertaken in line with existing Masterplan documents.	Increased visitor spend in the county and reduced leakage of County Durham residents spending to other areas of the region.	FEA-focussed Led by the CDEP Place Development Group
Wear Link		
Provide support to growing companies in the FEA which may provide new jobs for local residents with the requisite skill profile. In the context of long term private sector stagnation these companies are of vital importance.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group
Deliver the next phase of development for Seaham and Peterlee, prioritising development which will support preceding investment.	Improvement of the external perception of East Durham; increase in local expenditure and potential property price uplift.	FEA-focussed Led by the CDEP Place Development Group
Establish higher profile anchor tenants in Seaham and Peterlee to upgrade the retail offer from convenience dominated to comparison goods, with a significantly higher quality offer for local residents.	Reduction in expenditure leakage to neighbouring local authorities of Sunderland and Hartlepool. Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Place Development Group
Multiple barriers exist which prevent access to the labour market. These relate to attitudinal, formal qualification levels and transport linkages. These barriers are complex but can begin to be addressed based on more effective consultation with key employers in the county to understand their requirements and address these where possible. This may involve low cost solutions.	Increased employment and opportunity for residents.	Countywide Led by the CDEP Place Development Group
Protection of tourism assets such as the Heritage Coast is a priority, furthermore the industrial and social heritage connected to coal mining and its associated communities offers the opportunity for further tourism development.	Increased employment and opportunity for residents.	FEA-focussed Led by the CDEP Business and Enterprise Group
South Durham		
Reflecting the very strong travel to work and housing market	Retained employment in large employers, additionally it is	FEA-focussed

Prioritised Actions	Contribution to high level objectives (what it will achieve)	Spatial Scale and Key Partners
linkages with the Tees Valley, consideration of long term sites and premises trends, and development plans, will provide a better understanding of possible futures for major established sites such as Newton Aycliffe.	important to ensure suitability to attract any possible relocation of companies through suitable sites and premises.	Led by the CDEP Place Development Group with the Tees Valley LEP
The role of small towns is particularly important in the South West FEA. The distinctiveness of Barnard Castle, as a unique market town, and of Bishop Auckland, as a sub-regional retail and leisure hub, should be protected and expanded if appropriate investment opportunities can be identified	Council and partners providing leadership, with small towns regenerated to improve employment and services for themselves and their hinterland based on local needs.	FEA-focussed Led by the CDEP Place Development Group
Develop the visitor economy linked to Durham City, based on quality landscapes and historic heritage, with improved marketing aimed at increasing duration of stay in the County	The value of heritage tourism recognised with improved tourism enterprises.	Countywide Led by the CDEP Business and Enterprise Group
High speed broadband is key to modern business operation, regardless of sector. Strengthening the support for flexible ways of working, including home-based workers and teleworking, offers an opportunity to exploit the quality of life offer in the rural parts of the FEA, where access to a wide range of employment opportunities is limited.	Employment and enterprise in rural areas can be increased through removing key communication barriers and establishing re flexible working patterns/reducing carbon emissions.	Countywide Led by the CDEP Place Development Group
Tackling hidden unemployment or underemployment in the rural West of the FEA necessitates that local partnerships, involving the Voluntary and Community Sector, local community infrastructure and mobile services, deliver a more focussed and responsive range of services to local communities, particularly in relation to assisting those who have become disengaged from the labour market. Sector growth in creative and digital / financial and business services has not recovered jobs lost through a decade of manufacturing contraction.	Increased employment; use of community buildings and improved accessibility to services for residents.	FEA-focussed Led by the CDEP Learning and Skills Group
Sustain the success of NETPark as a key regional asset through increased marketing and profile raising aimed at making it the site of choice for new knowledge-based enterprise in the region. Sustain and enhance the Virtual NETPark offer through regular consultation with businesses to establish demand for services.	Retained employment in knowledge-intensive sectors on NETPark and increased “lock-in” to the County from other companies involved in virtual access to the knowledge base.	Regional Led by the CDEP with the North East LEP and Tees Valley LEP





**Centre for Urban & Regional Development Studies (CURDS),
School of Geography, Politics and Sociology,
Claremont Bridge,
Newcastle University
NE1 7RU**

Tel: 0191 208 7691

Fax: 0191 208 7741

www.ncl.ac.uk/curds/

www.ncl.ac.uk/gps/geography/