

# Gateshead Local Economic Assessment 2014

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# Welcome

## Welcome to Gateshead's second Local Economic Assessment.

Economic Assessments help us to understand the diverse range of issues facing the local economy and provide an opportunity to highlight the often interconnected activities that the Council and its partners undertake to improve economic conditions for both residents and businesses.

The Council's first Local Economic Assessment was prepared during one of the worst economic downturns in the UK's history. Whilst its effects continue to be felt locally, this document outlines the significant changes that have taken place since this time, and sets the scene for future economic growth in the borough.

The opportunities arising from the regeneration of Gateshead, including the requirement for new housing, must be balanced against the challenges of an under performing business base and the need to help local people back to work in an ever more competitive labour market.

Whilst 2013 saw the first signs of recovery in economic conditions in the UK, the recovery has yet to take hold in any significant way in the regions. This assessment, building on updated information provided by the 2011 Census, will help us to work more closely with partners to maximise economic growth.



**Cllr Mick Henry**  
Leader, Gateshead Council

# Introduction

In 2011, Gateshead Council prepared its first Local Economic Assessment (LEA), the aim being to encourage economic growth in the borough and contribute towards improving the economic performance in the wider region.

Since the first LEA, the Government has introduced Local Enterprise Partnerships. The North East Local Enterprise Partnership, (NELEP) which covers the five Tyne and Wear authorities, Northumberland and Durham, has developed the North East Strategic Economic Plan (SEP) - "More and Better Jobs" as a plan for growth. This assessment will highlight Gateshead's contribution to growth.

Internationally, growth has returned to many markets and recent forecasts for the UK economy have been revised upwards. However, it is the South East which remains the main driver of growth, with many regions including the North East only seeing limited improvement. The assessment will look at these issues in more detail.

The overall aim of Gateshead Council and its partners remains to:

**"Create a sustainable, well paid economy producing good quality jobs for skilled people".**

After 1992, the UK economy enjoyed a period of unbroken growth. But in 2008, the global financial crisis plunged the UK into its longest and deepest recession since the economic crisis of the 1930s. More than a million people were made redundant as businesses either closed or downsized. Consumer spending rose sharply in the years leading up to the crisis due to a buoyant housing market and cheap and easy credit. But the credit crunch and job fears meant consumers have cut spending, deciding to pay off debt and save instead. The period since the start of the financial crisis has been categorised by short bursts of growth and contraction in what the Bank of England has described as a "zigzag" path to recovery.

# Executive Summary

While there are now significant signs of recovery in the UK economy, it is South East and particularly London which is the main driver of growth. Many of the regions, including the North East continue to feel the effects of the economic crisis.

With the development of Sage Gateshead, BALTIC, Centre for Contemporary Art, the Angel of the North and Trinity Square, Gateshead has put into place firm foundations for economic growth by developing a national and international reputation. This will be compounded by the redevelopment of a number of local centres which will create the necessary infrastructure for future growth and service the needs of a growing population.

The Local Plan highlights that existing employment sites, such as the Team Valley Trading Estate, cannot on their own meet the jobs growth of a growing population, or for the residents of an additional 10,700 new homes that will be needed in the borough in the period to 2030. The urban core is expected to be the driver of such growth, with the provision of high quality business accommodation, and good quality homes and services underpinning the process of economic growth.

There has not been a significant decline in the overall size of the business base following the recession. The lost growth as a result of the slowdown has in essence, seen four years of little growth. The business base is therefore estimated to be around 10% smaller than it would have been without the recession.

While qualification rates of young people continue to rise, the borough continues to have lower levels of residents with higher qualifications than the national average. Looking forward, many of the jobs that will be available in the North East will require a high level of technical ability, including the replacement jobs of those who retire or are promoted. There is a need to therefore increase the skills levels of both the existing workforce and the unemployed to meet the needs of the future economy. This is in addition to the need to diversify the existing business base to help address the growing issue of underemployment.

Gateshead, like many other northern towns and cities, continues to have high levels of people in receipt of out of work benefits. This has a significant impact on productivity and is one of the limiting factors in terms of economic growth and neighbourhood sustainability. The economic crisis continues to have an impact on the lives of local people, through welfare reform, limited wage increases and higher living costs, requiring residents to become more adept at managing finances and reducing high levels of debt.

Listed over the page are the key issues which either impact on or will help economic growth in Gateshead over the next decade. These factors are examined in detail within the document.

# Executive Summary

The key issues based around the themes of Business, People and Place are:

## Economic Growth (Business)

- The NELEP's SEP highlights the need for over 60,000 additional jobs to develop a balanced private sector led economy. Gateshead is well placed to see growth in key sectors such as manufacturing, business and financial services and distribution. Tourism and heritage activities were seen as key to the growth of rural areas.
- After a period of stagnation, economic growth is starting to be seen in the UK economy, although this continues to be concentrated in the South East. In the North East, public sector job losses are not yet being matched with gains made in the private sector.
- The North East Chamber of Commerce have reported more optimistic current business performance and economic opportunities open to the borough in the first quarter of 2014. This is resulting in stronger levels of business optimism which are being translated into the confidence to invest.
- In 2012 there were 5,110 active businesses in the borough. Whilst the business base has held up well overall, the recession has resulted in four years of almost zero growth. Trend growth during this period would have seen over 300 new businesses created in the period. Therefore, the need to grow the business base, particularly higher value jobs is essential.
- Economic growth is more likely to come from local growth rather than inward investment although there is a need to promote exporting and encourage Gateshead businesses to consider UK wide and overseas trading opportunities.
- The manufacturing sector remains the largest employer, although the number of people employed within the sector continues to decline. The growth of higher level manufacturing skills will support the long term sustainability of the sector.
- Demand exists for growth in both jobs and businesses in existing employment centres such as Team Valley Trading Estate (TVTE) and the intu Metrocentre, however the lack of land availability at these sites mean the most significant growth in the longer term, particularly for high growth businesses, will be in the urban core.
- While land availability is an issue, significant developments are planned on existing vacant/cleared sites such as the Platinum Mall development at intu Metrocentre, Maingate at TVTE and the extension of the retail offer also at Team Valley.
- The regeneration of Trinity Square has seen weekly visitor numbers increase in the town centre by 60% from 200,000 in April 2013 to 327,900 in December 2013. Over 850 jobs have been created or protected.
- It is predicted that by 2030, Gateshead will require an additional 102,000sqm of office space. This suggests that, in addition to the urban core, there is need for further space to be developed at TVTE and MetroGreen.

# Executive Summary

- There is a need to improve the availability of business space in rural areas and support the growth of key sectors such as tourism and food and drink.
- National self employment statistics show an overall upward trend; however these are based on sample data and are found to be inherently unreliable. Council derived data suggests that approximately 30% of clients referred to the Council with an interest in working for themselves set up as self employed business following support.
- Social enterprise has a role in the delivery of public services and as an enabler to regenerate local communities. There is a need to continue to raise awareness of the sector and provide education and training opportunities to support the growth of the business base.

## Economic Inclusion (People)

- The latest official projections (ONS, 2012) suggest that by 2037, Gateshead's population will grow from 200,000 to 211,500 (+5.7%). The working age population is projected to grow by 4% over this period to 129,300. However, projected growth is due to the increase in the retirement age, which will stand at age 67 for both men and women in 2037. Without this, the working age population would decline by 2.9% over this period. It is important to note that projections are based on the continuation of past trends.
- The increase in the retirement age and those aged over 50 (again seen from population projections), suggest there will be an ageing, potentially under skilled labour market unable to meet the demanding needs of businesses. There is a need to ensure that older people can improve their skills to maximise economic performance and access high level jobs.
- Through the implementation of various initiatives aimed at attracting jobs and encouraging economic growth, it is likely that population growth, particularly among young, qualified and talented working age residents, could be higher than indicated by these latest projections - to a level that is more capable of delivering a sustainable future for Gateshead.
- While unemployment is significantly below the level of the 1980's (Job Seeker's Allowance claimants), it remains higher than the lowest point of 3,080 (2.4%) seen in November 2007. In March 2014 there were 5,189 (4%) people claiming this benefit. There are almost 19,000 people (14.8%) in receipt of Key Out of Work Benefits, which has continuously declined over the last decade, however levels of poverty and disadvantage are increasing.
- Approximately 500 (8%) young people aged 16-19 were not in education, employment or training (NEET) in March 2014. This suggests that a significant number of young people are not economically active in the labour market.
- Graduate employment is concentrated in urban areas. In 2011/12, 59% of graduates finding work in Gateshead sought professional employment. This was at the bottom of the scale for the sub region (South Tyneside at 69%). Employment in retail was the highest destination for Gateshead graduates in the borough, followed by health.

# Executive Summary

- Research by Glasgow University suggests that around 4,000 'new economy' jobs will be created in the NELEP area in the period to 2020. The vast majority of jobs in the economy will be replacement jobs increasingly requiring higher technical skills.
- In 2013, GCSE pass rates in the North East were the highest of any UK region; however a smaller proportion of the region's working age population holds an NVQ4 qualification (26.9%) than nationally (34.4%). Gateshead performs better than the region but still lags behind the national performance with 30.4% holding an NVQ4 and above.
- Approximately 10% of Gateshead residents, of working age, have no qualifications compared to 11.8% in the North East and a national figure of 9.7%.
- The Institute for Fiscal Studies has estimated an average loss in household income of £680 due to austerity measures and planned welfare reform. For Gateshead's 89,154 households this is likely to result in a £60.6 million being lost from the local economy.
- Over 30million people in the UK are in work, which is a record number. However the number of zero hour contracts distorts the figures to some extent.
- The recession has seen increased redundancies, resulting in skilled people taking lower paid jobs, which reduces access to employment for those with lesser skills.
- Gateshead continues to have high levels of health inequalities with the average 'healthy life' expectancy lower in Gateshead than the North East or England as a whole. Increasingly, ill health and health concerns are seen to have an impact on economic activity, with those who are long term sick accounting for over a third (34.8%) of the economically inactive, increasing from 31.1% over the last 12 months.
- There are approximately 3,000 Jewish people living in Gateshead. Many are from an orthodox background and face limitations in entering the labour market due to their cultural observance.

## Economic infrastructure (Place)

- The projected population increase suggests a need for an additional 10,700 houses to be developed by 2030 in areas such as Dunston Hill, Chopwell and Kibblesworth.
- The Employment Land Review of the Local Plan has suggested that a minimum of 70 hectares of employment land is needed by 2030 to meet the requirements for economic growth.
- The Local Plan has highlighted additional areas of growth for housing and business accommodation such as Follingsby Park (distribution) and MetroGreen (housing and business accommodation).

# Executive Summary

- Baltic Business Quarter is the focus for high growth, new economy business development in Gateshead.
- An Accelerated Development Zone (ADZ) was agreed as part of the Newcastle City Deal in July 2012. The deal will allow all of the growth in business rate income at Gateshead Quays and Baltic Business Quarter to be retained locally, to support the delivery of vital economic infrastructure. This is a major step towards creating a world class business environment in central Gateshead.
- An ADZ proposed in Sunderland and South Tyneside could also bring increased opportunities for residents and businesses in the east of Gateshead.
- The increasing reliance on digital infrastructure cannot be over emphasised for business use but also a growing use of ICT for applying for welfare benefits etc. The BDUK contract, developed in partnership with Durham County Council, will support an increase in digital speeds over the next three years to meet the needs of people and businesses. However, a 4% gap in overall coverage will remain; the location will be unknown until nearing the end of the programme in 2017.
- The first phase of regeneration of the town centre is well underway, with the new superstore and cinema now open, new business units have been developed and student accommodation will open in September 2014.
- Good progress is being made with the redevelopment of local centres throughout the borough, with Blaydon almost complete, Birtley and Felling underway and Dunston and Teams developments coming soon.
- The Council is proposing the development of a district heating scheme to help reduce the borough's carbon footprint by providing lower cost heating and power. The development may attract green companies or companies requiring larger energy loads to the locate in Gateshead.
- The North East SEP recognises the need to overcome bottlenecks of congestion on the A1 and A19. This will help improve economic performance of the Team Valley Trading Estate and Follingsby Park to support the growth.
- Smart ticketing will help develop more flexible approaches to public transport, speeding up travel times across Tyne and Wear. In addition, long term considerations include the extension of the Tyne & Wear Metro to the Team Valley Trading Estate.
- There is a need to explore in more detail, how we can maximise the economic value to be derived from the natural environment, without having a detrimental effect. Evidence suggests environmental related jobs represent approximately 5% of the region's GDP.

# SWOT Analysis

## Strengths

- Proximity to the regional capital Newcastle
- Manufacturing experience/expertise
- Emerging town centre/local centres
- Centre of the LEP economy / links to functional labour markets
- Emerging urban core - with high growth potential
- Significantly improved qualification rates of young people
- Good transport infrastructure - bus/Metro
- Range of jobs in the current labour market meets the skills base of the WAP
- Distribution sectors based on excellent transport links
- Close proximity to university/ graduates living in the town centre
- Graduate retention and returner
- Excellent FE provision at Gateshead College
- Excellent broadband capability - to support business
- Mobile workforce
- Quality of natural environment

## Weaknesses

- Low levels of people with high skills
- High numbers of people with low skills
- Low productivity in the economy due to high levels of benefits claimants
- Low wage rates - limited economic growth potential
- Relative high levels of deprivation / poverty
- Limited housing stock not meeting the needs of new standard life existing residents
- Limited growth potential of existing employment centres
- Under developed rural economy - high outward commuting
- Ageing population - can the workforce meet the supply needs of business?
- Significant number of residents lacking access to ICT
- Sustainability of communities - due to lack of jobs and low wage rates
- Poor health and significant numbers of people with disabilities
- BDUK coverage will deliver to only 96% of premises

## Opportunities

- Strong manufacturing skills - high growth potential
- Redeveloped town centre and local centre's - growth opportunities
- Urban core - growth potential
- MetroGreen housing and office potential
- Upskilling of residents to meet future workforce demand
- Range of new housing requirements - support jobs in construction
- Energy supply stability / low carbon
- Enhancement of the natural environment - tourism potential
- Reduction in travel time across the urban core - smart ticketing - increasing productivity

## Threats

- Competition for skilled residents from the wider region
- Limited housing options to retain talented people
- Graduate retention and attraction
- Completion of town centre regeneration
- Insufficient highly skilled people to meet the needs of gateshead businesses
- Declining number of young people
- Increasingly jobs will require higher skilled people - supply issues
- Welfare reform
- Mobility of workforce
- Flood Risk particularly TVTE

# Global Economic Conditions

2013 saw the first signs of some stability returning to international markets, with countries such as Brazil, Russia, India and China (BRIC) and Mexico, Indonesia, Nigeria and Turkey (MINT) demonstrating good levels of economic growth. Growth is expected to improve further in 2014-15, largely on account of recovery in the advanced economies such as the USA.

## Eurozone

The Eurozone is one of the UK's most important export markets. It finally emerged from its double-dip recession in the second quarter of 2013, after 18 months of negative growth, although high levels of unemployment continue to hamper progress. Economic recovery in the Eurozone, whilst uneven, is expected to continue in 2014. Much of the recovery is based on the strengthening of exports in response to rising global demand.

## UK Economy

The UK is finally seeing recovery from what has been the deepest peacetime downturn in 100 years. The economy has grown by over 5% since its lowest point and forecasts are being revised upwards<sup>1</sup>. Growth of 1.9% in 2013 was the strongest annual growth since before the financial crisis in 2007.

Inflation fell back to the Bank of England's 2% target rate in the final quarter of 2013, being below target in the first two months of 2014 for the first time in more than four years. Interest rates remain at an historic low of 0.5% and are not expected to rise significantly in the next 12 months.

Nationally, there are more people in employment than before the downturn. However, while the recovery at a national level appears to be taking hold, this is not the case in every part of the country. Since 2010, 79% of private sector jobs growth has occurred in London. Meanwhile, Britain's next nine largest cities accounted for just 10% of all new private sector jobs created.

Record low interest rates, low unemployment and Government-sponsored schemes have all buoyed Britain's housing market. House prices have also risen due to a shortage of supply, although regions outside of London (and the South East) continue to see only limited recovery.

The UK economy is predicted to grow at a faster pace than all the other leading industrial nations in 2014<sup>2</sup>. Forecasts from the Office for Budget Responsibility were revised upwards in March 2014, with Gross Domestic Product (GDP) expected to rise by 2.7% in 2014. The growth forecast for 2015 has been raised to 2.3% and 2016 has been left unchanged at 2.6%. The outlook for productivity growth, which underpins income growth and the sustainability of the recovery, remains the key uncertainty.

<sup>1</sup> Outlook for Cities, Centre for Cities (2014)

<sup>2</sup> World Economic Outlook Update, International Monetary Fund (January 2014)

# Global Economic Conditions

With a figure of over 50 illustrating growth, the Markit/CIPS services Purchasing Managers Index rose to 58.7 in April, the highest level since December 2013 and up from 57.6 in March. The manufacturing Purchasing Manager's Index jumped sharply to a five-month high of 57.3 in April, from 55.8 in March<sup>3</sup>. The upturn in service sector growth matches a similar acceleration to a near-record high for manufacturing output, while construction activity also continues to surge higher. These both suggest that the broader economy is picking up more speed.

The National Institute of Economic and Social Research forecast that GDP will exceed its pre-recession peak, in 2008, in the next few months, although per capita GDP still remains well below this previous, and will not exceed it before 2017<sup>4</sup>.

The FTSE 100 share index of the UK's 100 businesses with the highest market capitalisation reached 6,873 in May 2014, just 57 points below the high of 6,930 reached in late 1999. This increase is a good illustration of investor confidence.

# North East Local Enterprise Partnership

Gateshead is one of the seven Local Authorities which make up the North East Local Enterprise Partnership (NELEP) area. Close proximity to the regional capital is important as a link to businesses but also as a location for employment for residents.

As the regional capital, Newcastle remains one of the key drivers of the NELEP economy. However, the employment rate of 58% is towards the lower end of the rate seen within the UK largest cities and significantly below the UK average of 71%.

Across a range of indicators such as business start-up, residents with high qualifications and workplace earnings, Newcastle is below the UK average and often towards the lower end of performance of the 10 largest cities.

Both Newcastle and Sunderland have seen a net decrease in the stock of businesses in 2012, illustrating the continuing difficult economic conditions in the NELEP area and in which Gateshead needs to operate.

Migration, particularly to London, continues to highlight concerns regarding the skills base of the population. Approximately 5,000 people left the key cities within the NELEP area (Newcastle and Sunderland) to migrate to London in the period from 2009 - 2012.

<sup>3</sup> Markit and the Chartered Institute of Purchasing & Supply (April 2014)

<sup>4</sup> Journal of the National Institute of Economic and Social Research No. 288, National Institute Economic Review (May 2014)

# North East Local Enterprise Partnership

Newcastle has seen its position improve in the 2013 UK Competitiveness Index illustrating growth; however the index reports that the Local Enterprise Partnership areas in the Greater South East of England are by far the most competitive, with the northern post-industrial urban economies remaining at the bottom of the LEP area rankings.

## GVA

Productivity in the NELEP area grew by 14% between 2009 and 2012 - the fastest rate in the UK and the region's best performance since 2004. In financial, professional and business services employment growth in the NELEP area exceeds the seven other core city LEPS, including Manchester and Leeds. It also has very strong employment growth compared to other regions in terms of creative and digital industries and tourism.

Despite a higher growth rate in comparison to the previous Government Office North East region and other northern regions, the gap between the national average has widened in recent years.

The key issues the region faces in relation to GVA and productivity are:

- Lagging behind the England average on almost all headline economic indicators.
- GVA per head is below the national average.
- Key drivers of the GVA gap include low employment rates, a low proportion of residents with high-level skills and low enterprise rates.
- A productivity deficit, underpinned by ongoing structural change - from higher productivity manufacturing jobs to lower paid service sector jobs.

## NELEP Economic Geography

Work undertaken by consultants EKSOGEN in 2010 for the Tyne and Wear City Region highlighted that there are four overlapping labour markets in the city region, with the Newcastle labour market the largest.

The North East Independent Economic Review<sup>5</sup> has highlighted the largest jobs growth in the next 20 years to be around NewcastleGateshead, with commuter patterns likely to continue to show people travelling into the urban area to access better quality higher paid jobs.

While a focus on manufacturing will remain, growth is also expected in financial and business services, digital, media, telecommunications and software. Other key sectors will include automotive and pharmaceuticals. Ancillary jobs, such as retail will follow; whilst given an increasingly ageing population, an increase in jobs in the health and social care sector is also expected.

The evidence review for the Combined Authority (CA) has demonstrated a significant overlap between the various NELEP labour markets. It also demonstrated the interaction between the housing markets and the labour market, different levels of employment and resident income derived from employment and mobility within the region.

<sup>5</sup> North East Independent Economic Review, Andrew Adonis/LEP (April 2013)

# North East Local Enterprise Partnership

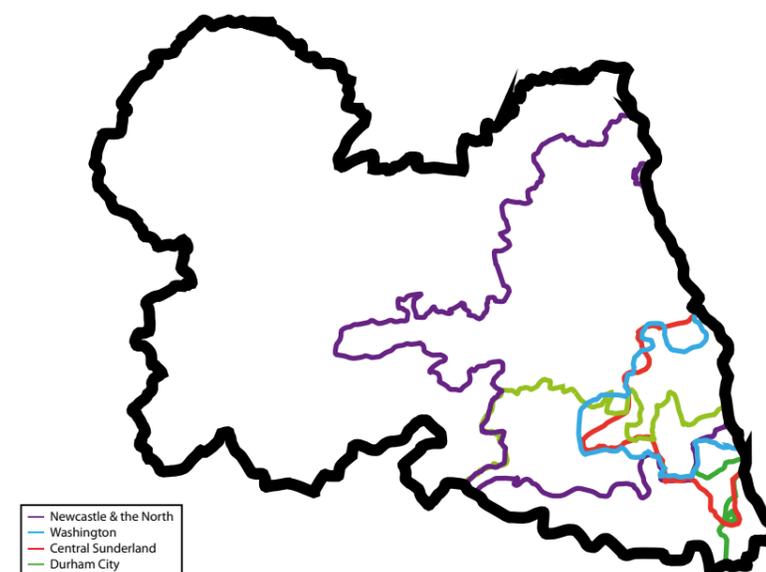


Figure 1: EKOSGEN Illustration of 4 overlapping functional labour markets - (left)

The research illustrates that:

- There are high value markets within the Tyne & Wear administrative boundaries, but these have been characterised by increasing problems of affordability in recent years.
- Newcastle exports its wealth into the higher value markets in Northumberland to the north and west.
- North Tyneside's stock supplies homes for first time buyers across the whole of the north of the Tyne area.
- The housing markets south of the Tyne in the urban areas tend to be lower value, with fewer high value neighbourhoods and lower household and population growth.
- New build completions within urban areas of Tyne & Wear have tended to be low, but higher in Northumberland and Durham. A significant increase in new build in County Durham has generated population growth, leading to outward migration from the urban core of Tyne & Wear to County Durham.
- Low value neighbourhoods are widespread across the conurbation, whilst only a few small areas in Tyne & Wear qualify as high or prime value neighbourhoods. In contrast, West Durham and some mainly rural parts of the former Tynedale and Castle Morpeth areas are high or even prime value areas, even when measured on a national scale.

# North East Local Enterprise Partnership

## The Adonis Review

In 2012 Lord Andrew Adonis was asked by the NELEP to undertake an independent review of the LEP wide economy. The review highlighted the shortage of private sector employment, with a need to add a minimum of an additional 60,000 private sector jobs to provide a balanced and sustainable economy.

It highlighted the need to protect manufacturing jobs, which still account for a large proportion of better paid, private sector jobs locally and increase higher value service sector jobs linked to business services and the new economy. It also recognised the need for higher skilled and higher paid jobs to produce an economy which matches others and provides the quality of opportunities its residents and young people need to prosper.

While it is likely that innovation and exporting will focus on manufacturing, it recognises the need for the local economy to take advantage of the growth in services, particularly those which operate in national and international markets. For the LEP area this includes financial and business services and emerging sectors and niches around digital, media, telecommunications and software.

The review also recognised the importance of tourism, heritage and culture to the area's economy and the importance of public sector assets in terms of cultural and heritage attractions and facilities.

## The North East Strategic Economic Plan - More and Better Jobs

The LEP's SEP sets out the vision that by 2030 the North East will be a globally competitive economy, with more and better jobs created through making, trading and innovating. The vision sets out an economy that will consist of 1 million jobs and which reflects the North East's industrial heritage and the ambition of local partners to provide opportunities for businesses and residents in a modern and diverse economy.

It outlines the need to be aspirational and creative and the need of inclusive communities enabled by the skills, infrastructure and connectivity that position the North East as a fast growing, prosperous and resilient economy.

While it acknowledges the considerable economic challenges for the area, recognising that it has been bottom of the employment league table for several decades, it outlines that productivity growth is well above the national average, with a marked increase in employment and an increasingly confident business community. To achieve the vision, by 2024, there is an intention, as a minimum, to halve the gap between the North East and the national average (excluding London) on four quantifiable measures:

- Gross Value Added (GVA) per Full Time Equivalent (FTE), with wages and profits rewarding workers and investors, sustaining high levels of employment.
- Private sector employment density, with more companies and jobs driving a high growth economy.
- Employment rate, with the scale and quality of employment, matching an increasingly better qualified and higher skilled workforce.
- Activity rate, with no one left behind, and those distant from or disadvantaged in the labour market, helped to take advantage of the opportunities in a successful, growing economy.

# North East Local Enterprise Partnership

It recognises the need to create a more robust economic structure, one that is more able to deal with economic "shocks" and suggests that if the SEP is fully implemented the employment gap can be closed by 2024. It outlines that significant employment growth requires a better qualified workforce, a larger business base, more high growth companies in fast growing sectors and markets, and an employment land supply and commercial property market which can accommodate growth. It also requires a transport system where people and businesses can move around the region and good quality access national and international markets.

There will be a focus on sectors and opportunities which help deliver better jobs. Over 35% of young people go on to higher education, and a growing number are taking up apprenticeship opportunities. Providing the quality of jobs to meet the ambitions of young people is an important part of the approach to promoting economic growth.

The Plan outlines that the North East continues to have the smallest total value of imports of all the English regions, making up just 2.4% of England's total. Although, the North East is the only English region to have maintained a positive trade balance (exports exceeding imports) between 2010 and 2013, and was one of only four English regions to experience an increase in the proportion of exports going to EU countries<sup>6</sup>.

The North East Chamber of Commerce<sup>7</sup> has reported upbeat results for the region in the first quarter of 2014. Balances for both manufacturing and services were stronger than their long-term averages. In manufacturing, most key balances rose, including domestic sales, domestic orders, employment expectations, investment in plant and machinery, investment in training and turnover confidence. There were very small falls in employment but these balances are still positive and at historically high levels, indicating continued growth. In services, there were some small mixed movements but almost all the key balances remain above their average 2007 levels.

<sup>6</sup> Regional Trade Statistics, HM Revenue and Customs (Fourth Quarter 2013)  
<sup>7</sup> Quarterly Economic Survey, The North East Chamber of Commerce (Q1 2014)

# Gateshead

Gateshead stretches almost 13 miles along the south bank of the river Tyne and covers 55 square miles, making it the largest of the five Tyne and Wear authorities. It differs from the other authorities in that it has a large urban hub with a number of smaller urban centres and busy employment areas, but around two thirds of the borough is rural with numerous small settlements. Whilst average earnings in the North East are less than other regions, the quality of the natural environment makes the borough an excellent place to live.

Gateshead's population has been rising over recent years and now stands at 200,000. It has a diverse economic base with key employment centres across the borough such as Team Valley Trading Estate, The intu Metrocentre, Follingsby Park, East Gateshead Riverside, the town centre and four local centres.

Much of the deprivation is based within the urban areas, with the urban core, shared with Newcastle, is the focus for regeneration, promoting growth through the digital economy, knowledge-based businesses and cultural-led regeneration. The urban core is at the heart of the regional economy. Approximately 74% of the working age population of the rural area travel into Newcastle, urban Gateshead and the wider region for work<sup>8</sup>. This demonstrates a weak rural offer.

The urban core has been a driver of economic growth for the North East over the last 30 years and employment has grown more quickly locally than the North East as a whole between 1981 and 2013.

## Commuting Patterns

At the time of writing, the full release of Census data relating to commuting inflows and outflows from the borough (indicating the specific locations of where people commute to for work) has not been released by the Office of National Statistics. Data for Gateshead residents of working age has been released, which provides the total number of outflows (people commuting from the borough for work).

The data highlights an increase of 12.6% in the number of residents aged 16-74 commuting for work since 2001, from 70,917 to 79,875<sup>9</sup>. This is the highest number of outflows in the region, with 12.4% for Newcastle and 10.3% for North Tyneside.

Whilst these figures should be read with some degree of caution, particularly as the tightening of the labour market has meant that people are increasingly having to travel to find work, it does suggest an increased mobility in the workforce with residents being prepared to travel further for better quality work opportunities. Although the full travel to work dataset is currently unavailable, the 2001 data highlighted the importance of the urban core and TVTE, Gateshead town centre and the intu Metrocentre as key employment centres. This will continue to be the case, with the urban core and areas such as MetroGreen and Follingsby Park becoming increasingly important.

<sup>8</sup> Travel to Work Patterns, Census (2011)

<sup>9</sup> Commuting Outflows - Analysis of Census Data - 2001- 2011 - ONS - (2014)

# Economic Growth - Business

Following the worst recession since records began, economic growth is starting to be seen in the UK economy, although this continues to be concentrated in the South East. In the North East, public sector job losses have not been matched by the private sector gains seen elsewhere in the country. In 2012 there were 5,110 active businesses in Gateshead<sup>10</sup> and whilst this figure has held up well, business growth has stagnated and has remained in a 'stand still' position for over four years.

Gateshead has undergone some significant economic restructuring over the last 30 years. While some manufacturing sectors such as coal, steel and heavy engineering have declined, employment in the urban core grew at a faster rate than the rest of the North East, supported by the growing service sectors and new growth sectors including digital and creative, financial and business, biotechnology, engineering and environmental technologies. Although manufacturing declined in Gateshead over the period, it remains a larger proportion of the employment base than the national average and its long-term success remains important to future local economic prosperity.

The business base comprises mainly of small businesses, with 85% of firms employing fewer than 20 people. Gateshead has an above average proportion of large companies, with 2% of businesses employing more than 100 people, compared to a national average of 1.5%<sup>11</sup>.

Large, well established companies are typically located within the main primary and secondary employment areas and economic activity is focussed in a number of locations including Team Valley Trading Estate; the wider Intu Metrocentre area; Central Gateshead including the Gateshead Quays, Baltic Business Quarter, Gateshead town centre, Birtley and Follingsby Park.

Gateshead accommodates clusters of engineering and environmental technology businesses at Team Valley Trading Estate and professional and financial services, creative industries and media in the urban core. These key sectors benefit from locating in close proximity to similar companies, suppliers, specialised service providers and research centres; promoting innovation through social interaction and economic specialism.

Gateshead's 'Council Plan<sup>12</sup>' outlines the Council's overarching ambition to support sustainable economic growth and wellbeing, by creating the conditions for economic growth and improving health and wellbeing.

Gateshead Strategic Partnership's Vision 2030<sup>13</sup> document outlines the measures that need to be taken to support the borough's development, which includes economic growth at the centre of many of the themes. Creating a robust economic base (City of Gateshead), promoting innovation, digital infrastructure and promoting high aspirations, high achievers (Creative Gateshead) and attracting talented highly skilled and knowledgeable residents (Gateshead goes Global) are seen as key requirements of a thriving economy.

<sup>10</sup> Business Demography, Office for National Statistics (2012)

<sup>11</sup> UK Business: Activity, Size and Location, Office for National Statistics (2012)

<sup>12</sup> Council Plan 2012-2017, Gateshead Council (2012)

<sup>13</sup> Gateshead Sustainable Community Strategy, Vision 2030 (May 2010)

# Economic Growth - Business

## Strengths and Weaknesses

Gateshead's strengths include its close proximity to the regional capital Newcastle, excellent transport accessibility; the strategic road network - including the A1, whilst the East Coast Mainline and Port of Tyne provide connections to the main national and international destinations. An extensive local bus network and the Tyne and Wear Metro provide good local access to jobs.

Newcastle International Airport offers good links to Europe for businesses, with some international flights to major European destinations being shorter than rail connections to London and the South East.

There are however significant weaknesses, including continued uncertainty surrounding the economy; public sector austerity measures and relatively low levels of employment in office based activities (office use in the borough accounts for only 9% of the total employment floor space). In addition a low proportion of knowledge based businesses, skill shortages in critical areas, high levels of deprivation and competition for office demand from Newcastle and business parks elsewhere in the region are a concern.

## Business Growth

Gateshead must continue to develop a diverse economy with accessible employment and deliver significant increases in the business base, particularly knowledge driven businesses.

This will be achieved by:

- Ensuring a range of high quality economic development locations are available and attractive to the market;
- Strengthening and clustering economic assets and promoting growth sectors including:
  - Financial, business and professional services in the urban core;
  - Retail, leisure, health and tourism in the urban core;
  - Advanced manufacturing and engineering at Team Valley Trading Estate;
  - Creative media and digital at Gateshead Quays and Baltic Business Quarter; and
  - Distribution and logistics at Follingsby Park. Significantly enhancing digital infrastructure.
- Supporting entrepreneurship through the supply of a range of and choice of premises;
- Diversifying and expanding the rural economy by supporting local businesses and growth in leisure, culture and tourism;
- Attracting and supporting a skilled labour force, whilst helping local people access job opportunities, including targeted recruitment and training opportunities.

# Economic Growth - Business

Due to the nature of Gateshead's limited SME business base with many investment decisions being made elsewhere in the country, economic growth is much more likely to be derived from local growth than exporting. It is therefore important to encourage local businesses to increase innovation and further explore trading opportunities within the UK to foster business and economic growth.

To support growth in Gateshead's economy, strategic interventions are required to promote skills development and to make it easier for SMEs to hire staff and take on apprentices and ensure local businesses can compete effectively for contracts. Attracting value-added enterprises, focused on innovation and commercialisation will provide high-skilled and high-value employment, rooted in the local economy, less vulnerable to economic downturn.

If there is to be a real impact, Gateshead must encourage the growth of jobs at all skills levels, thereby building and retaining income in the economy, to help stimulate local business and communities. A key factor to this is the development of new SMEs.

Gateshead is the regional base for the Open University and Gateshead College, the principle further education provider in the borough, who has recently invested more than £60million in the development of four campuses across the borough. While Gateshead has no major university presence there are two universities within Newcastle (Newcastle University and the University of Northumbria). Although it is not considered an impediment to businesses already located in the borough and residents wishing to access higher education services, this is seen as being detrimental in attracting major businesses and inward investment.

Baseline projections of economic growth, developed by Cambridge Econometrics in support of the Local Plan<sup>14</sup>, forecast an additional 8,000 jobs will be created across Gateshead over the next 18 years representing an increase of 7.3%. Whilst ambitious, based on an optimistic rate of growth of 2.18% GVA per annum, this recognises that past increases in economic activity in Gateshead will not continue to the same extent in the future<sup>15</sup>.

Gateshead still has a strong industrial base and there are a number of industrial sub-sectors that are well placed to grow. This will help to maintain and enhance the area's strength as an industrial location. This growth could be enhanced by successfully securing inward investment projects, similarly there is likely to be further demand for storage and distribution premises, underpinned by the accessibility benefits of the area.

Employment growth is anticipated in office-based sectors. The borough has experienced strong growth in business services in recent years and new sites such as Baltic Business Quarter coming forward will help to improve Gateshead's offer. Gateshead is well positioned to benefit from the rapid development of a number of growth sectors in the future, particularly business and professional services; financial services; and in the creative and media industries.

NewcastleGateshead is recognised as a leisure, culture and tourist destination boasting a plethora of visitor attractions and a year-round events programme. More than half of the additional jobs are anticipated to be in areas such as leisure, tourism and health.

<sup>14</sup> Gateshead Local Plan, Gateshead Council (2014)

<sup>15</sup> Economic Growth Projections, Cambridge Econometrics (assessed by St Chad's College, Durham University) (2012)

# Economic Growth - Business

Gateshead's long-term success will continue to depend upon remaining an attractive location for international, national and indigenous investment and maintaining a skilled and adaptable workforce. Growth of the rural tourism economy will support overall economic growth in the borough.

Newcastle City Council and Gateshead Council have commissioned destination marketing agency NewcastleGateshead Initiative (NGI) to support existing business winning activity and undertake proactive lead generation. The activity takes place alongside and supports NELEP and UKTI activity. It is important moving forward that a coordinated and effective service is available to inward investors.

Existing major employment locations including Team Valley Trading Estate and the Intu Metrocentre are unlikely to deliver the levels of increased economic activity previously experienced. In the future the urban core will be the main contributor to Gateshead's economic prosperity. As well as being the cultural, retail, tourism and leisure hub, it will be a regionally significant office location for professional, financial and business services, particularly within the Accelerated Development Zone. The growing creative and ICT/media industries are already well represented and demonstrate strong growth potential.

Within the urban core, Gateshead Centre will be promoted as a location for shopping and other commercial activity; Gateshead Quays will contain important leisure and tourism facilities with employment development focused at Baltic Business Quarter. The scale of opportunity within the urban core also makes it suitable for significant mixed use developments and for it to be marketed as a solus site able to accommodate a single large scale inward investment project, such as a Global or European headquarters.

The successful redevelopment of sites at Gateshead Quays is an important element in a wider series of regeneration initiatives focussed on delivering a long term vision for economic growth in Gateshead. Significant public sector investment in iconic leisure developments including Sage Gateshead Music Centre, BALTIC, Centre for Contemporary Arts and Gateshead Millennium Bridge has established Gateshead Quays as a destination with world class facilities. The Quays, undoubtedly have significant development potential to attract private sector investment, with the capacity to provide a major boost to economic growth in Gateshead.

Outside the urban core, investment will be encouraged within the key employment areas of Team Valley Trading Estate and Follingsby Park, the primary centres for manufacturing industries and distribution services.

Providing a supply of land and SME accommodation to meet the needs of business, industry and education institutions, flexible enough to accommodate changing economic circumstances, respond to market demands and investment opportunities, and to support emerging sectors and entrepreneurship is essential for achieving the vision of a flourishing economy.

# Economic Growth - Business

Over 42,000 jobs were created in the North East through foreign direct investment (FDI) between 2005 and 2012. While the number of jobs has fluctuated year on year, the region has averaged over 5,000 FDI jobs each year. The North East has an exceptional record in attracting and retaining Japanese owned companies to the UK, of which Nissan is the highest profile example. In total, over 40 Japanese companies have operations in the North East. However attracting major inward investment projects alone will not deliver sustainable economic growth.

Indigenous SMEs underpin Gateshead's economy, accounting for 99% of business stock. They are often the source of many of the borough's most dynamic companies. Establishing a diversified business base of SMEs is vital to improve the resilience of the local economy.

To support SMEs, strategic interventions are required to promote skills development and to make it easier for SMEs to hire staff and take on apprentices and ensure local businesses can compete effectively for contracts. Attracting value-added enterprises, focused on innovation and commercialisation will provide high-skilled and high-value employment, rooted in the local economy, less vulnerable to economic downturn.

Building upon industry and innovation domains already strongly represented locally and in which Gateshead can hope to excel, is likely to lead to identifying areas of specialisation and competitiveness that will promote growth. Existing business clusters include digital and tech industries, with niche specialisms in animation and game development, and advanced manufacturing. Developments such as Northern Design Centre can act as a platform to encourage cross sector and multi disciplinary innovation to increase commercialisation opportunities.

The Council has a history of supporting graduate enterprise, particularly in knowledge driven activities but needs to further develop its strategic partnerships with local universities and colleges, supporting growth in key sectors and providing the hubs for learning, research and business. The growth of further/ higher educational institutions should be encouraged and supported. Gateshead would also experience economic benefit from an enhanced higher education (HE) and further education (FE) presence in the borough and an increased student population. Investment such as the student accommodation within the Trinity Square scheme will be a major step toward embedding these benefits locally.

Growth of the knowledge economy represents a cultural shift within the economy, rather than the growth of new industrial sectors, that will encourage economic vitality and improve quality of life for the resident population.

For future growth of the regional and local economy there is a need to build 'good-quality jobs in growing sectors such as green energy, offshore wind, bio health and the creative and digital sector'<sup>16</sup>.

Developing new processes, products, services and business models to take advantage of global and market opportunities, is vital to growth and should be recognised and encouraged across the entire business base, whether large or small, long-term established or start up businesses.

<sup>16</sup> Northern Prosperity is National Prosperity: A strategy for Revitalising the UK Economy, IPPR (November 2012)

# Economic Growth - Business

Both innovation and commercialisation are key drivers of productivity and competitiveness, particularly in an increasingly global economy. They create new products, new services and jobs in existing industries and industries of the future. This includes the transition to a low carbon economy highlighting the economic opportunities that this investment will help drive in providing long-term certainty for business and investors.

Attracting investment in research and development will be supported by the development of specialist facilities. In addition incubation centres such as the Gateshead International Business Centre and follow on space like Northern Design Centre are essential to support the accommodation requirements of high growth innovative firms. It will be important to work with developers to explore models that break from the traditional mould of large floor plates for occupation by corporate businesses and to provide purposefully designed and flexible accommodation capable of meeting the needs of small dynamic businesses.

## Case Study - Northumbria University

Northumbria University has recently embarked on a new initiative at the Northern Design Centre, on Gateshead Quays. Their ambition is to create a space where better engagement between university knowledge and industry can be realised, to support open innovation and entrepreneurship, maximising the growth potential of regional businesses and providing opportunities for collaboration with larger international partners.

This latest initiative builds on Northumbria University's internationally recognised expertise in design education, research and industry practice, with an emphasis on the delivery of multidisciplinary innovation solutions to industry.

Activity includes:

- Multi-disciplinary: Innovation design projects, engaging Northumbria's students in project work with regional, national and international businesses;
- The Entrepreneurial Business Management degree;
- The creation of user-led workforce development packages;
- Graduate business creation initiatives, including the Graduates into Gateshead Programme; and
- Innovation sandpit sessions with academic experts from Northumbria working with industry and public sector organisations, to develop solutions to the challenges facing business and society.

# Economic Growth - Business

Business tourism is vital to the economy, events such as conferences, meetings and exhibitions bring tourists to Gateshead and Newcastle all year around. Culture, leisure and tourism are important to Gateshead's economy and to remain competitive as a tourist destination, it needs to continue to develop a range of accommodation and unique visitor attractions and experiences.

In addition the Council and its partners should seek to sustain and support rural employment. There is potential to attract additional facilities and accommodation into villages and rural areas, which can help to facilitate rural diversification, sustain local and village centres, and provide additional employment opportunities, contributing to the rural economy. In particular, opportunities to build upon heritage, countryside recreation and existing tourism activity, such as further enhancement of the Derwent Valley, including the Derwent Walk Country Park and the National Trust's Gibside Estate, should be explored, subject to the limitation's of the valley's carrying capacity.

The Council's Rural Economic Strategy<sup>17</sup> proposes three key themes to be supported; making better use of land and property assets, enhancing opportunities for tourism and encouraging the use of food and drink as a sector to promote the growth of small businesses. Research for the strategy highlighted a lack of business space in rural Gateshead and the opportunity to enhance rural tourism through the development of a new high quality hotel offer. A new food related enterprise hub at the National Trust's Gibside Estate is helping to address a number of the strategies objectives.

Whilst new jobs are essential, the opportunities that self employment and social enterprise brings to the local economy are also important. Self employment can provide flexible services in local communities and provide cost effective services to new and existing businesses.

National self employment statistics are inherently unreliable. Locally derived data suggests that approximately 30% of clients with an interest in working for themselves set up as self-employed following support from the Council.

While there is currently significant volatility in the boroughs self employment statistics,<sup>18</sup> the trend has been consistently upward since the millennium. In 2000 there were approximately 5,000 people self employed, with the most recent figures (for the year to December 2013) suggesting that this has grown to 7,400. These should however be read with some caution as statistics for 2013 show a high point of over 8,000 and a low point of 6,600. The 7,400 figure illustrates a growth approaching 50% since the millennium. While it may not be possible to fully verify these statistics, they do suggest a significant growth in self employment over the last decade although it should be noted that a figure of 5.7% of the workforce being self employed is below the North East average of 6.8% and significantly below the national GB figure of 9.7%.

Social enterprise has a role in the delivery of cost effective public services and provide services in local communities where the private sector does not or chooses not to have a presence. Social enterprises can help to mobilise local people, by introducing business skills to the community and providing jobs and voluntary opportunities. There are over 80 established social enterprises in Gateshead, enabling local people to gain additional skills and enhancing employability.

<sup>17</sup> An Economic Strategy for Rural Gateshead, Gateshead Council (May 2012)

# Economic Inclusion - People

The urban core of NewcastleGateshead is the NELEP's key employment area and the main driver of growth. Worklessness however remains an important issue with the area lagging behind the national average in terms of employment, skills and qualifications of its residents.

The latest Gateshead Council Residents Survey<sup>19</sup> highlighted that few people are confident about the prospects for the local economy; with 76% believing that the economy is not showing signs of improving. Looking forward, 34% felt their personal financial situation would get worse and only half of residents felt it would remain stable. It should be noted the survey was undertaken in 2012 and has not been updated since<sup>20</sup>.

## Population

Gateshead's population declined throughout the 1990s; however, the 2011 Census confirmed a reversal in trend, with a current population of 200,000. This is projected to increase by 5.7% over the next 25 years, a slower rate of increase than the England average. Gateshead has a higher proportion of older people than the England average, with 18.2% of the population in 2012 aged 65 years or over compared with 16.9% nationally and 18% across the North East. It is forecast that the number of older people, 65 years and over will rise from 36,400 in 2012 to 52,800 in 2037, an increase of 45%.

The Census is run every ten years, the latest one being carried out in 2011, results of which were released at the end of 2012. The main findings relating to the population and its characteristics are detailed below.

The shift to an ageing population is evident, with Gateshead reducing its proportion of 0-19 year olds by 2% and only increasing 20-44 year olds by 3%. The proportions aged 45-64 and 65+ have increased by 14% and 6% respectively.

74% of Gateshead's resident population are aged 16 to 74, approximately 1% more than in 2001.

Gateshead is becoming increasingly more diverse (from 1.6% of people in a BME group in 2001 to 3.7% in 2011), which may have implications in terms of support for different communities. For example, there have been significant increases in residents of Chinese and African origin, and 2% of households are made up of those who do not consider English to be their main language. Residents in the Black and Other ethnic groups are more likely to be unemployed, at 14.1% and 13.8% respectively.

3,004 Gateshead residents stated that they were Jewish, which is almost double the number recorded in 2001 when it was believed there was an undercount. The improved enumeration of the Jewish community in Gateshead will enable Census data to be used more effectively to understand the needs of the community.

<sup>19</sup> Gateshead Council Residents Survey, Gateshead Council (2012)  
<sup>20</sup> IPSOS MediaCT Tech Tracker, Gateshead Council (Q3 2012)

# Economic Inclusion - People

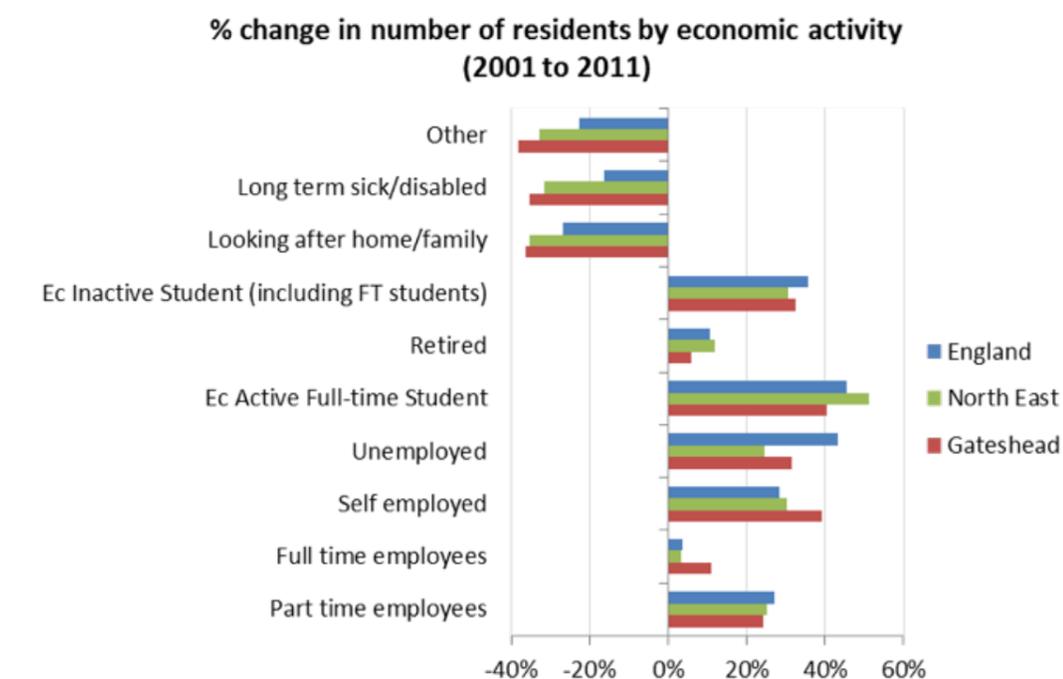


Figure 2: Percentage change in number of residents by economic activity (2001 - 2011, ONS 2011 Census)

## Employment & Skills

### Employment

Gateshead has seen a 16% increase in the number of people employed since 2001 which is a much greater rate than either the North East (11%) or England (12%). 44.5% of men are in full time employment compared with 28.4% of women.

Gateshead along with Newcastle has seen employment grow more quickly than in the North East as a whole between 1981 and 2014. Gateshead's employment rate is currently 68.3% (85,800 people in employment)<sup>21</sup>; in 2008 the employment rate was 70.6%, illustrating the effects of the recession. Employment in Great Britain remains highest in the South East (76.4%) and lowest in the North East (68.2%)<sup>22</sup>.

There has been an increase of more than a third in the number of lone parents in employment (from 2,975 to 4,005) and a reduction in the number of households with dependent children and no adults in employment. This may be linked to current initiatives supporting Gateshead residents back into work, including childcare provision.

<sup>21</sup> Annual Population Survey, Office for National Statistics (January 2013 - December 2013)  
<sup>22</sup> Regional Labour Market Statistics, Office for National Statistics (March 2014)

# Economic Inclusion - People

## Unemployment

Unemployment is most common in those aged 16-24, with 13.5% unemployed within this age group. This then falls to 7% in those aged 25-34 and gradually decreases towards old age.

Unemployment figures show that in March 2014 there were 5,189 (4.0%) residents in receipt of Jobseekers Allowance (JSA). This number has reduced from 6,771 residents (4.8%) 12 months earlier. At the peak of the recession the number of Gateshead residents claiming JSA was just over 7,000. The claimant count for all key out of work benefits was 17,770 in November 2013 - down on the November 2012 figure of 19,790<sup>23</sup>.

Significant cuts to public sector budgets have seen job losses across the North East, which has had an impact on Gateshead. One in ten jobs in the public sector has been lost since 2010 with 41,000 lost in the North East. This is a fall of 13.8% and the North East has been the second hardest hit region in the country. This compares to a lesser fall of 8% in the South East<sup>24</sup>. More than 1,600 jobs have been lost by Gateshead Council since the last general election due to Government cuts.

The reductions have also affected the third sector, where government and Council support has been reduced, resulting in further job losses impacting on local services and communities. This has mainly affected younger and older people who are finding it hard to access full time jobs, due to the number of people in temporary or part-time jobs.

## Youth Unemployment

The proportion of young people claiming JSA has increased recently leaving Gateshead with 8.3% of young people claiming this out of work benefit and thus higher than the North East figure of 8.0% and significantly higher than the GB figure of 5.2%. The national figure has mirrored Gateshead with its recent increase. However, Gateshead's youth unemployment statistics have seen quite a reduction from 2013 when there were 11.9% or 1,980 young people<sup>25</sup>.

Anyone aged 18-21 claiming benefits without basic English or maths will be required to undertake training or lose their entitlement<sup>26</sup>. Long-term unemployed people will be required to participate in a traineeship, work experience or community work if they have been on JSA for six months or more.

## Underemployment

Due to the recession and job losses in the region many skilled people are prepared to take lower level jobs to get back in the labour market. This makes it more difficult for long term unemployed people to return to work who often face additional barriers including a lack of confidence, motivation, mobility and low skills.

A recent study<sup>27</sup> revealed that the zero hour contract is becoming more widespread, with about one

23 Key Out of Work Benefits, Office for National Statistics (November 2013)

24 Public Sector Employment, Office for National Statistics (October 2013)

25 JSA Claimant Count, Office for National Statistics (February 2014)

26 Autumn Statement, HM Treasury (2013)

# Economic Inclusion - People

million people employed in this way, with staff earning on average £9 an hour compared with £15 an hour from other employers. Whilst zero hours contracts provide maximum flexibility for employers, including no notice periods, sick leave, dismissal rights or redundancy payments, they can be a significant barrier to employment due to the complexity of the current welfare system.

## Apprenticeships

There is an increasing challenge in raising levels of participation in apprenticeships for young people. There are particular challenges in ensuring Gateshead can deliver sustained growth in the number of young people starting and completing high-quality local apprenticeships, and ensuring that growth is delivered in priority sectors that meet future skills needs and add more value to the local economy.

In recent years the Gateshead Apprenticeship Partnership has had considerable success in raising awareness of the apprenticeship pathway with young people.

However, this increasingly buoyant level of learner demand is not matched by the levels of employment opportunities. It is likely that changes in higher education funding will encourage more academically capable young people to seek apprenticeships as an alternative to the traditional route to university. This is likely to put additional pressure on a competitive market and present even greater challenges for some young people looking to secure an apprenticeship place.

The Gateshead Apprenticeship Plan 2011-2014 outlines the need to increase the number of apprenticeships in the borough to support the growth of skilled residents at a variety of levels - the aim being an increase of 600 to 2014<sup>28</sup>.

## Graduate Employment

Research on the graduate jobs market in the region in the six months post graduation in 2011-12<sup>29</sup> highlighted that graduate unemployment was around the national average at 8.5%. In total 71.1% of NE graduates were in work and 40.1% were working in the North East. In addition to this, the research found that the North East was the region of England where the largest proportion of 2011/12 graduates were working in the same region in which they had studied.

However, the research also illustrated that whilst graduate employment is concentrated in the urban areas, South Tyneside is where the highest numbers of graduates found employment in professional roles (69.8%), and Gateshead bottom of the scale, with only 59% finding such employment. Underemployment is therefore an issue. In total 435 graduates found work in the borough in 2011/12 of which only 260 were in professional level employment. Regionally health, education and retail were the largest sectors for graduate employment. Health was the most important sector in the region overall and it was also the most important in the sub region, other than in Gateshead where it came second to the retail sector. Historically, nearly 50% of graduates started employment in the public sector, due to the recession and the changes in public sector funding this is now no longer the case.

27 Zero-Hours Contracts Myth and Reality Research Report, Chartered Institute of Personnel and Development (November 2013)Gateshead

28 Apprenticeship Plan 2011 - 2014 - Gateshead Strategic Partnership (2010)

29 Higher Education Careers Service Unit 2014 Charlie Bell (covering graduates of the 5 NE universities in the six months post graduation in 2011/12)

# Economic Inclusion - People

## Skills

Recent research carried out by Glasgow University on behalf of the NELEP, highlighted that there will be around 4,000 new jobs created in the economy in the period to 2020<sup>30</sup>. However it is estimated that there will be 462,000 replacement jobs (as existing employers retire, progress) in this period, which will increasingly require a higher level of technical skill, for example through enhanced levels of ICT. There is a need to ensure that skills levels keep pace with these changes.

School attainment has been rising for many years, but there is concern at the uptake of STEM (Science, Technology, Engineering and Mathematics) subjects. This has implications for the development of key sectors such as automotive, engineering and software and digital and whilst the apprenticeship system is well established in the NE, the apprenticeship offered does not always align with growth opportunities. Too many opportunities are offered at Level 2. There is a need to increase the number of apprentices to meet the needs of the business community for skills at NVQ 3 and above. There is also a need to increase employer investment in skills and in particular their engagement with higher level apprenticeships.

Half of the North East's working age population are qualified at Level 3 and above, much lower than some other core city LEP areas. This suggests that other areas are currently better placed to carry out high skill, high value functions. There is a need to drive up skills levels of the existing working age population.

A smaller proportion of the region's working age population holds an NVQ4 qualification (26.9%) than nationally (34.4%). In this respect Gateshead performs better than the region but still lags behind the national performance with 30.4% holding an NVQ4 and above. Similar performance is seen for those residents with no qualifications with 10.1% of Gateshead residents unqualified compared to a poorer 11.8% in the North East and improved national performance of 9.7%<sup>31</sup>.

However, performance at Level 3 by age 19 and progression to higher education lag behind the national average. Participation and progression to higher level skills need to be strengthened and more appropriate provision and support needs to be developed to meet the aspirations of young people and enable Gateshead to translate its high level of performance at level 2 by the age of 16 into strong performance in level 3 by the age of 19.

In Gateshead, the reform of post-16 funding presents significant challenges and opportunities for all post-16 providers. The Council will play a key role in supporting providers through the transition to the new arrangements.

The local economy has and is continuing to undergo a number of challenges, one being that of rising levels of unemployment in young people. Post 16 learning and training is an important stepping stone into the world of work. We need to ensure that the skills developed, the choices made, and the pathways followed are realistic and effective at preparing young people for an increasingly competitive jobs market.

<sup>30</sup> NELEP Skills Action Plan Evidence Base Final Report, North East Local Enterprise Partnership (May 2013)

<sup>31</sup> Annual Population Survey, Office for National Statistics (January 2012 - December 2012)

# Economic Inclusion - People

## Basic and Lower Level Skills

There are a number of factors/barriers that people face which become an underlying cause of unemployment. A high percentage of those out of work lack the basic employment skills to even successfully undertake a job interview. These include a lack of motivation, self confidence, communication and interpersonal skills, personal hygiene and employability skills. These also reflect the North East Skills Action Plan, which states we need to "More effectively tackle barriers to employment/ for those with no/low qualifications".

Despite initiatives such as the Jobcentre Plus "Get Britain Working Scheme", the DWP Work Programme and the SFA funded Skills Support for the Unemployed, there is still evidently the need for more coordinated work to address the lack of these basic skills with those residents in receipt of benefits and particularly those unemployed for over 12 months.

## GCSE Attainment

61.7% of pupils attending secondary schools in Gateshead achieve five or more A\*-C GCSE grades (including English and Maths). This figure exceeds the England average of 59.2%. Similarly, a greater percentage of Gateshead pupils (24.0%) achieve the all English Baccalaureate subjects than the rest of England (23.0%)<sup>32</sup>. This demonstrates that Year 11 GCSE performance is strong in Gateshead. However, there are still too many young people progressing to post-16 without the necessary standards in maths and English. This is particularly the case amongst vulnerable learners.

## Higher Level Skills

Gateshead residents are increasingly achieving higher level qualifications. The number of people whose highest level of qualification is a degree or equivalent has increased from 17,879 in 2001 to 35,409 in 2011. This may be reflected in an increase in the number of residents who have professional occupations (+7,842), however there remains a significant gap to close with England at degree level<sup>33</sup>.

The North East has the lowest concentration of graduates of any region in the country, new data from the Office for National Statistics has confirmed<sup>34</sup> 29% of people living in the North East between January and December 2012 were graduates, compared to 40% in the South East, and 33% closer to home in the North West.

A report on graduates in the UK labour market looked at all adults living in the UK who were not enrolled on any educational course. Unemployment among North East graduates was third highest of all regions, below outer and inner London. Nationally, the report found nearly half of recent graduates were employed in a non-graduate role, while a third were working in a 'low skilled role.'

The study deemed non-graduate jobs as those which did not require higher educational background, such as secretaries, sales assistants, factory workers and care workers. Recent graduates were shown to have consistently higher unemployment rates than older graduates and older non-graduates. Last year 9% of recent graduates were unemployed while 3% of graduates who had been out of full-time education for more than five years were experiencing unemployment. Salaries for graduates in the first year of repayment fell 12% in real terms between 2007 and 2011.

<sup>32</sup> School and Local Statistics KS4 Results, Department for Education (2013)

<sup>33</sup> Census 2011, Office for National Statistics

<sup>34</sup> Office for National Statistics, Graduates in the Labour Market (2013)

# Economic Inclusion - People

This is further evidenced by the University Of Glasgow's findings for the NELEP Independent Economic Review which provided a simplified model (see fig 3) of the North East economy and skills base and the imbalance between demand and supply.

A survey by Skills for Life<sup>35</sup> identified that adults with Level 1 or above numeracy qualification earn on average 26% more than adults with skills below this level. In England approx. 17 million adults are working at entry level, roughly equivalent to the end of primary school standard. The equivalent figure for literacy is 5 million adults.

| SKILLS SUPPLY FOR ECONOMY  | CONNECTING SKILLS DEMAND AND SUPPLY   | SKILLS SUPPLY FOR ECONOMY  |
|--|---|--|
| <ul style="list-style-type: none"> <li>Stimulate the creation of more high skills/high value jobs</li> <li>Increase employer investment in skills</li> <li>Increase employer engagement with higher level apprenticeships</li> <li>Increase skills support for high value replacement demand for labour</li> </ul> | <ul style="list-style-type: none"> <li>Need for more effective information, advice and guidance (IAG) system</li> <li>Need for enhanced work experience offer for young people</li> <li>Need for more effective brokerage for employers</li> <li>Need for more effective employer voice to influence skills system</li> </ul> | <ul style="list-style-type: none"> <li>More effectively tackle barriers to employment/for those with no/lo qualifications</li> <li>Increase working age population with level 3 and above qualifications</li> <li>Develop skills to support growth of key sectors</li> <li>Address imbalanced in key sectors eg: gender</li> </ul> |
| CROSS-CUTTING ENABLING MECHANISMS  |   |  |
| <ul style="list-style-type: none"> <li>Potential for greater local autonomy of skills priorities and funding</li> <li>Better understanding of what works through tighter performance management</li> </ul>   |   |  |

Figure 3: Summary of Key Skills Action Areas in the North East, North East LEP Skills Action Plan Evidence Base, University of Glasgow - Training and Employment Research Unit (May 2013)

35 The 2011 Skills for Life Survey, Department for Business, Innovation and Skills (December 2012)

# Economic Inclusion - People

## Rural Skills

There is a range of environmental skills programmes operating across the north east. The sector is proven to be a good at providing a pathway from volunteering through to social enterprise or employment. Here sustainable land management is underpinned by an often highly skilled workforce. In many cases the private sector (e.g. farming and landowner interests) provide these services, but they are often supplemented by other sectors, e.g. the nature conservation organisations themselves. The third sector in this form brings with it a huge volunteer labour force, some who have existing skills, but very often bringing into play new skills and experiences from which pathways into employment develop. There is an opportunity to work with local businesses to improve the consistency, delivery and outcomes of these training programmes.

## Employability

Reducing worklessness is essential in helping to secure our economic future in that it will help provide a local available workforce to meet the needs of businesses and will help promote economic growth by increasing disposable income and improve the overall productivity of the region. Figure 4 identifies the areas most impacted upon by worklessness in the borough by looking at contributing factors which together lead to higher levels of worklessness such as high levels of school absence, health inequalities etc.

Since the last assessment in 2011, there has not been any discernable difference in those areas most affected by worklessness or a reduction in the levels of worklessness. This demonstrates that whilst the overall picture has not worsened, there has been no significant improvement, despite continued intervention and support.

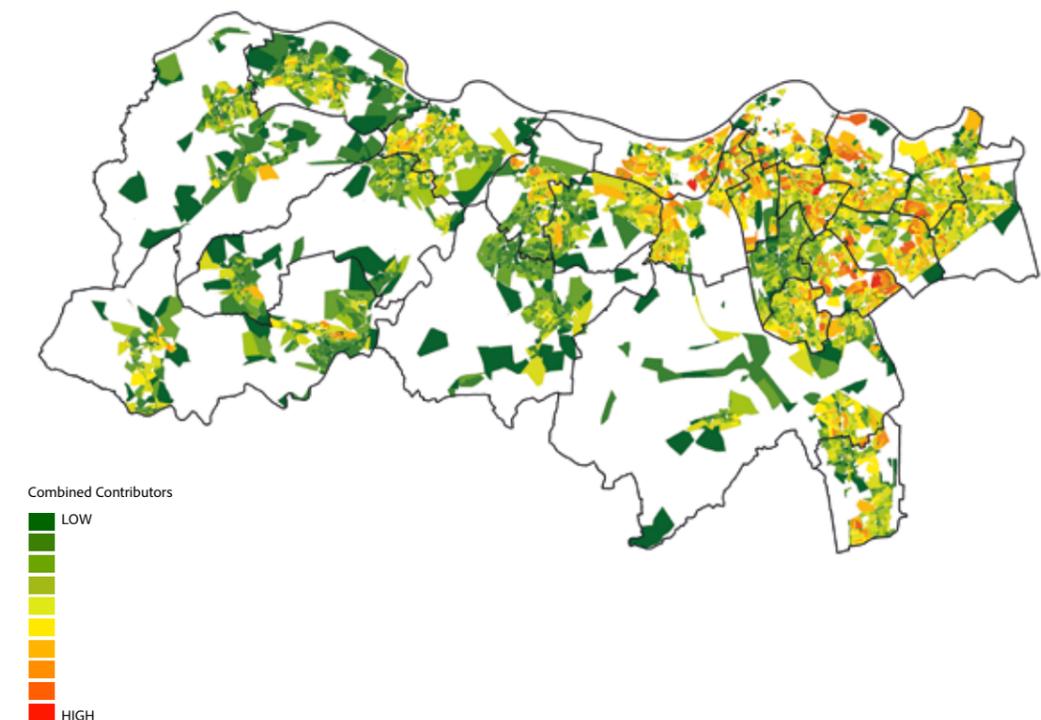


Figure 4: Contributors to Worklessness

# Economic Inclusion - People

## Social Inclusion

### Health and Wellbeing

Future projections estimate the population will increase to 211,500 in 2037. The working age population is projected to grow by 4% over this period from 124,300 to 129,300. However, this projected growth is due to the increase in the retirement age, which will stand at age 67 for both men and women in 2037. Without this, the working age population would be projected to decline by 2.9% over this period.

It is forecast that the number of older people, 65 years and over will rise from 36,400 in 2012 to 52,800 in 2037, an increase of 45%. This has a direct impact on future economic growth and begs the question of whether Gateshead will have the workforce to service the projected increase in jobs in the borough with an ageing population putting extra strain on health and wellbeing resources.

The average healthy life expectancy is lower in Gateshead than that for the North East or England as a whole. In Gateshead both men and women on average experience a life limiting illness or disability approximately 5.5 years and 4.9 years sooner than the England average respectively. The fact that residents do not reach pensionable age in good health, results in implications both economically and in terms of health planning.

Differences in life expectancy and healthy life expectancy also exist within Gateshead with those more deprived wards such as Bridges, Felling and Lobley Hill & Bensham experiencing significantly lower life expectancy than the rest of Gateshead. Similarly, those living in the least deprived wards, such as Whickham South & Sunnyside and Crawcrook & Greenside, enjoy a higher life expectancy than the Gateshead average.

Ill health and health concerns have an impact on the economic activity of the population, with evidence showing that the rate of those working age Gateshead residents being economically inactive due to long term sick has increased in the last 12 months from 31.1% to 34.8%<sup>36</sup>.

Long-term health conditions are a major cause of economic inactivity. In Gateshead, evidence shows that 14% of those aged under 40 years have a long term condition. More than 50% of people with a long term condition say that their health provides a barrier to the type of work they do, which rises to over 80% for people with three or more conditions<sup>37</sup>. Those with a limiting long term condition are half as likely to have a job as those with a non-limiting condition. Conditions including obesity are already estimated to cost the wider economy in the region of £16 billion, estimated to rise to £50 billion per year by 2050 if left unchecked. In Gateshead, it is estimated the cost to NHS services regarding obesity will be £23.5 million by 2015 and £30.5 million by 2025<sup>38</sup>.

Substance and alcohol dependency also have a substantial impact on economic performance; data from Public Health England's Recovery Diagnostic Tool suggests that in the 12 month period from 01/11/2011 to 30/10/2012, between 80% and 85% receiving treatment were not in employment. Economic performance also includes the affect on the local economy to which the workplace related cost of alcohol dependency is estimated at £182 per head of population, 7% above the North East average and 9% above the national average<sup>39</sup>.

36 Annual Population Survey, Office for National Statistics (October 2012 - September 2013)

37 Long Term Conditions Compendium of Information: Third Edition, Department of Health/Long Term Conditions (2012)

38 Gateshead Council Approach to Healthy Weight - Natalie Goodman 2014.

39 Balance, The Cost of Alcohol to the North East Economy (2013)

# Economic Inclusion - People

The rate of those claiming out of work benefits due to mental and behavioural problems is higher in Gateshead than the North East average and almost double the national average. Again the disparities between the degrees of deprivation across wards in Gateshead are evident for those who are economically inactive due to mental and behavioural disorders. Figure 5 shows the concentration in the urban area.

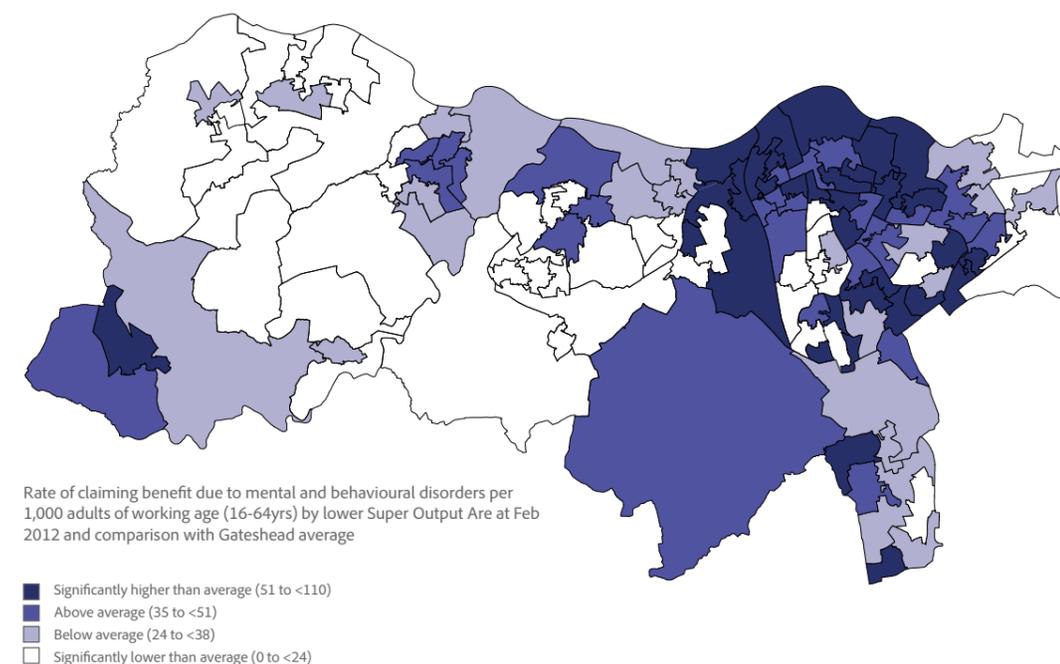


Figure 5: Rate of Benefit Claimants for Mental and Behavioural Disorders by Ward

The Marmot Review of Health Inequalities identified<sup>40</sup> the importance of the 'wider determinants of health', such as poverty, access to education, housing and healthcare. It emphasised that many of these areas overlapped so should not be taken in isolation. This is especially evident when dealing with financial exclusion as low income or households struggling with financial issues often display health or wellbeing issues; therefore it is important that people access the widest possible range of advice and support in order to address their own financial situations.

## Poverty

The nature of poverty in the UK has changed dramatically. The number of people living in poverty doubled between 1979 and 1999. Since then figures have reduced, although almost 10 million people still live below the poverty line (before housing costs). The face of poverty has also changed. Children have replaced pensioners as the most 'at-risk' group. There are now 2.3 million considered to be children living in poverty (before housing costs) or around one in six - with much higher rates in urban areas<sup>41</sup>.

40 Fair Society, Healthy Lives, The Marmot Review (2010)

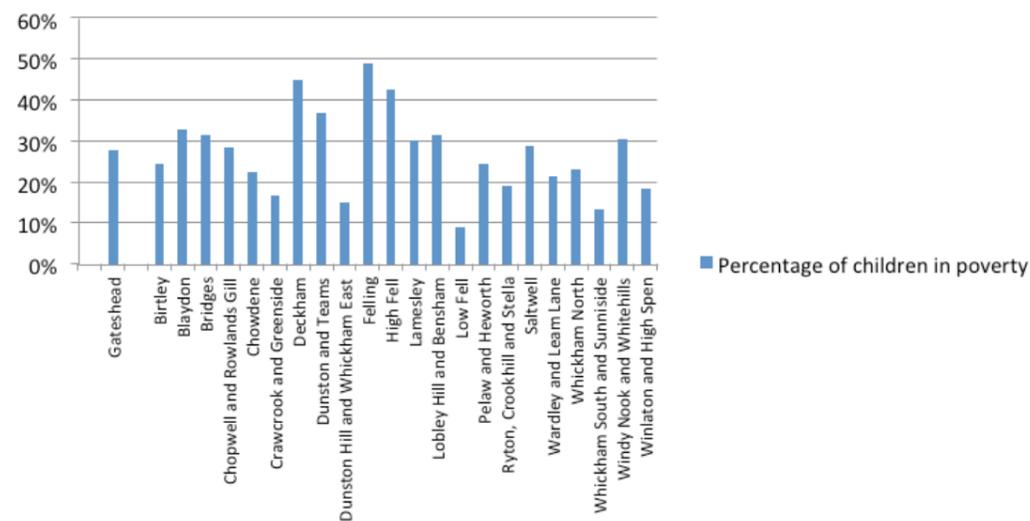
41 Households Below Average Income 1994/95 - 2012/13, Family Resources Survey, - DWP July 2014

# Economic Inclusion - People

Children in workless families are three times more likely to be in poverty than families where at least one parent works. However, children in workless households only make up around a third of the total number of children living in poverty. This raises issues of low earnings (either through working fewer hours or not being paid enough).

The headline measure of child poverty at local authority level uses HMRC data to create a proxy for the national data collected through the Family Resources Survey. In 2011 there were 9,305 or 23.2% of children in Gateshead in poverty, lower than the North East average of 23.7% but higher than the national average of 20.1%. Child poverty rates are significantly higher in Felling (45%), Deckham (39%) and High Fell (37%). Countered to this, the more affluent wards in Gateshead have substantially lower levels of child poverty, for example Low Fell (6%) and Whickham South & Sunnyside (9%)<sup>42</sup>.

**Percentage of children in poverty**



Research demonstrates that poor children are excluded from participating in society. They can't afford school trips and activities; school uniforms or warm winter clothes, are unable to go swimming, have friends round for tea or celebrate their birthdays. Many will never have a holiday. Child poverty costs both financially and socially. Children who grow up poor are more likely to leave school without qualifications, have lower employment chances, thus restricting their ability to get a good job and financially contribute to society. Estimates are that child poverty currently costs society £25 billion each year.

Mobility affects those in the rural areas most, as local training, support and guidance is hard to access, with people having to pay additional costs and travel further to gain the skills they need. This is especially problematic when there is a need in the economy for higher level skills such as Level 3 and above, as grant funding for skills provision for learners and the unemployed aged over 24 was removed in August 2013. Finding the finance to fund future training to enhance their skills will be substantially more difficult.

42 Child Poverty Map of the UK, End Child Poverty (2013)

# Economic Inclusion - People

For those with caring needs, the cost of care is pricing many out of work. Childcare costs for children under 2 years old has risen by nearly 6%, an average in the North East of £101 for 25 hours. For families with pre-school children, this means facing a culmination of costs as this is combined with reduced nursery places and cuts in financial assistance. Some families are losing up to £1,500 a year due to the tax changes.

Wages in quarter 3 of 2013 fell by more than 1.5% on the same quarter in the previous<sup>43</sup> year making it difficult to conclude that there has yet been a break from the trend of falling real wage growth. Real wages have fallen since 2010 making this the longest consistent fall since records began in 1964<sup>44</sup>.

These issues create challenges around what is a living wage, (the wage that people need to be able to live sustainably) which the Living Wage Foundation suggest is £7.45 per hour in 2013 and which is much higher than the £6.31 per hour (at 21 years and over) of the minimum wage.

Financial exclusion is a problem that affects millions of people in the UK, 1.4 million people have no basic bank account, 4 million people incur bank charges and up to 7 million people use sources of high cost credit. The Consumer Credit Counselling Service identified that between 2011 and 2012 the proportion of Gateshead clients in rent arrears increased from 5.6% to 8.36% and in the first 6 months of 2013, 30,762 people sought the charities help with payday loan debts, nearly the same for the whole of 2012 (36,413).

These financial challenges can affect people's health and wellbeing; a recent study evidenced<sup>45</sup> financial stress as being caused by difficulty in affording essentials such as housing and fuel costs, being linked to worsening mental health among those affected.

Demand for services is expected to increase, especially when Universal Credit is introduced. This means that households will be expected to become more self reliant with personal responsibility for their financial management, 'making work pay'. Under the proposals, tenants would have to manage their benefit income including paying rent directly to their landlord on a monthly basis in arrears, the implications of missing one payment is extremely high. With the new agenda of 'making work pay' residents are facing a number of barriers, often at the same time.

## Welfare Reform

The Government's welfare reform measures are expected to add to difficulties facing local Councils, especially in places where the economic recovery is fragile and unemployment is high. As well as a below-inflation cap on many working age benefits, cuts in Council Tax Benefit and the introduction of the under-occupancy penalty, the so-called 'Bedroom Tax', are reducing household incomes and likely to increase debt. The Institute for Fiscal Studies has estimated an average loss in household income of £680 due to the Government's austerity measures and planned welfare reform<sup>46</sup>.

43 Annual Survey of Hours and Earnings, Office for National Statistics (2013)

44 An Examination of Falling Real Wages 2010 to 2013, Office for National Statistics (January 2014)

45 Financial Stress and Mental Wellbeing in an Age of Austerity: Evidence from the GoWell Surveys 2006-2011, GoWell

46 James Browne Senior Economist IFS, Reuters (February 2011)

# Economic Inclusion - People

There is also much concern about the difficulties that may arise from changes to disability related benefits and the implementation of Universal Credit. These and other changes are likely to generate additional demands for local authority services, notably in relation to benefits advice, debt management. They may also generate additional needs associated with disability, deprivation and social exclusion. Overall, as the Institute for Fiscal Studies and Institute for Government show<sup>47</sup>, the squeeze on public spending has been extended, from six to seven to eight years, with those on the lowest incomes worst affected. This will result in a further increase in financial hardship and inequality.

An analysis was carried out by Gateshead Council in 2012 which identified that over half of Gateshead's 84,261 households would be affected by the welfare reform changes and that the total amount claimed regarding Universal Credit benefits and Tax Credits could equate to £265.2million, which is an average of £3,200 per family per year.

Changing Disability Living Allowance to Personal Independence Payments could reduce claims by approximately one fifth equating to £11million, as people are reassessed and have to satisfy the daily living or mobility activities test. Data showed that £52.8million was being claimed of which £32.5million related to those of working age.

Whilst the emphasis of welfare reform is on those in receipt of out of work benefits, those working families on low to middle incomes must also be considered when tax credits and child benefit are reduced. There are over 20,000 families in Gateshead in receipt of Working Tax Credit, with the assumption being that families will receive, on average, a £1,000 reduction per year<sup>48</sup>.

In Gateshead, the Benefit Cap has impacted on those with larger families, in total 63 households were affected. The Council and key partners are working intensively with the small remaining households whilst the majority have been removed from the cap due to changes in their household criteria, i.e. accessing disability / carers allowance, moving house or gaining employment.

From April 2013 working age households who under occupy social housing no longer receive the full Housing Benefit entitlement. This is defined as having one (or more) spare rooms. The Gateshead Housing Company identified 3,000 households affected financially by these changes which saw households losing £11 to £20 a week. Of those in Council tenancies under occupying, 68% are now in rent arrears compared to 51% in March 2013 and the average arrears for all Council tenants affected by welfare reform under occupation rules has increased from £116.29 to £156.77<sup>49</sup>. Nearly 13,500 working age households, many of whom have not had to pay Council Tax before, now have to pay at least 8.5%.

A recent study for the Association of North East Councils<sup>50</sup> analysed that around £380million will be lost to the North East as a result of the introduction of the Benefit Cap and the combined changes to disability benefits, Council tax benefit and housing benefit in the social sector. If other changes are also taken into account (such as those affecting child benefit and child tax credits), the cumulative loss within the North East Region in 2014/15 could be as high as £940million; in Gateshead this could be as high as £70million.

47 IFS and IfG 2015-16: the squeeze continues Background briefing on 2015-16 Spending Round (June 2013)

48 Welfare Reform Report, Durham Council (May 2012)

49 Gateshead Council, Welfare Benefits Data (March 2013)

50 The Impact of Welfare Reform in the North East, Association of North East Councils (September 2013)

# Economic Inclusion - People

Charity dependency is becoming more prominent<sup>51</sup>. In Gateshead there have been two food banks recently established; one in Blaydon and one in central Gateshead.

## Digital Inclusion

The 2012 Resident's Survey highlighted that approximately 80% of Gateshead residents have access to the internet, with 71% gaining access via a broadband connection at home. At this stage 40% had used it to search for employment. However, approximately 19% do not have access to the internet at home, which is a significantly higher proportion than the national average. Those with a disability, older people and those from lower socio economic groups are least likely to have access<sup>52</sup>. There will be an increasing requirement for access to the internet in order to apply for benefits and a wide range of services. It also states that 21% of people have no ICT skills, which has an impact for accessing benefits as in the future many of these will need to be applied for online.

## Volunteering

Gateshead Council's Volunteer Plan 2013-17 aims to increase volunteers by 20,000 in the next four years by increasing volunteering opportunities and by making it as easy as possible to volunteer in Gateshead. The plan also aims to:

- Enable everyone to make a recognised contribution to their community and become the volunteering capital of England;
- Deliver economic growth and wellbeing;
- Add value to local service provision through volunteering activity, enabling neighbourhoods to have services that would not otherwise be provided and enhancing core public services.

New policies and procedures have been developed providing a 'front door' to volunteering in Gateshead. This centralised process is managed within Communities, Neighbourhoods and Volunteering.

33% of residents volunteer across a range of services including adult social care, environmental, children and families and in the voluntary and community sector.

Volunteering builds more cohesive and resilient communities and allows residents to develop creative solutions, new services, opportunities and activities. Residents benefit through gaining skills and experience, enhancing employability and giving something back to their communities.

51 Hitting the Poorest Places Hardest: The Local and Regional Impact of Welfare Reform, CRESR (2013)

52 Gateshead Council Gateshead Residents' Survey, Ipsos MORI Social Research Institute (2012)

# Economic Inclusion - Place

## Local Plan

Gateshead Council and Newcastle City Council have been working since 2009 to develop a shared planning framework for the period to 2030. The decision to prepare a joint Plan is in recognition of the economic advantage in the expansion of employment areas, the promotion of key sectors such as science and research and retail-led development the link to new housing and the infrastructure required to support growth at the heart of the region. Sustainable economic growth is the key ambition for the Local Plan.

Key economic priorities are identified as the need to:

- Increase levels of growth, investment and productivity;
- Improve skills and provide businesses with the right support;
- Expand the role of the urban core as a focus for business, leisure and tourism, and as the regional retail centre; and
- Promote a strong network of district and local centres to meet the needs of all communities.

The plan recognises that sustainable communities are built upon strong growing and competitive economies and that there is the need for key facilities and sectors to support such growth. Some of the key elements include globally competitive universities, a cluster of hospitals, knowledge driven jobs, a strong financial and professional services sector, good road and public transport accessibility and access to a skilled labour force and high quality broadband. Such growth can support the development of local community facilities and services in the wider community.

A diverse range of accommodation and sites are available in Gateshead, from business start up accommodation to headquarters for international companies. Small units and expansion sites are available within established Employment Areas that can support existing local businesses. The area offers advantages for sub-regional companies that can access good quality sites and affordable local labour. Large scale prestigious sites and premises are available for inward investment for national and international businesses. Local entrepreneurship will be supported by maintaining a stock of premises such as managed office workspace, suitable for business start-ups and small/medium sized enterprises.

The rural economy has seen reduced reliance on mining and intensive agriculture and is now supported by a greater diversity of businesses such as forestry, leisure and tourism. To maintain a prosperous rural economy it will be important to enable a range of rural businesses to grow and promote the diversification of agricultural businesses, for instance, through the conversion of farm buildings into small office premises and provision of accommodation in rural employment areas.

# Economic Inclusion - Place

## Employment Land

The Gateshead Economic Land Review identified the amount of office floorspace and industrial and warehousing land required over The Plan period, to cater for the projected jobs growth. For employment uses, the studies identified the need to ensure provision to 2030 of a minimum of 70 hectares of land based on forecasted growth.

The Employment Land Review identified a number of employment areas which should be retained and protected for employment use, in addition to the urban core. These are the focus of the boroughs industrial, distribution and office activities.

The Office Needs Study (2012) identified the need for an additional 102,400 square metres of office space to 2030. Gateshead has an extensive supply of potential office sites which exceeds the projected demand for The Plan period. However, this will ensure a choice of sites to meet a range of business needs/office segments and provide the flexibility for the plan to respond to changing economic circumstances.

An appropriate supply of office sites outside of the urban core will be taken forward at Team Valley Trading Estate and MetroGreen. These sites will accommodate business needs and office specifications that cannot be accommodated in the urban core; ensuring economic growth is not compromised by limited size availability.

## Economic Growth Acceleration Plan 2014-18

The Gateshead Economic Growth Acceleration Plan 2014-18 sets out a series of high level interventions that will maximise and accelerate growth and wellbeing and help the Council to manage demand for services, by linking commercial, housing, regeneration and skills objectives.

The Plan will focus on the following objectives:

- Placing economic growth at the heart of the Council;
- Making Gateshead's urban core a premier business and visitor destination;
- Creating an environment that allows businesses to thrive and create jobs;
- Stimulating development through investment in next-generation infrastructure;
- Maximising the impact of housing on economic growth; and
- Driving economic growth by redressing imbalance in the labour market.

The Gateshead Economic Growth Acceleration Plan provides a broad framework to direct the investment of the Council's resources, including the Capital Programme and Economic Growth Reserve, to ensure economic growth and job creation opportunities are maximised.

Outcomes will include improved economic growth and wellbeing through the creation of more and better jobs for local people, increased household income, improved living conditions and a reduction in demand for Council services.

# Economic Inclusion - Place

## Case Study - Economic Growth Acceleration Plan

The Gateshead Economic Growth Acceleration Plan 2014-18, relating to the Accelerated Development Zone of Gateshead Quays and Gateshead Central, outlines the need to encourage inward investment and business growth in order to grow the economy and create jobs for local people. It states that

"Businesses are a fundamental driver of economic growth, increasing productivity and creating employment. We must create the conditions for businesses to grow; to encourage investment in skills and capital, enterprise, innovation and entrepreneurship. Gateshead is moving towards a more knowledge-based business base and there are significant growth prospects building on the strengths of key sectors including advanced manufacturing and engineering; creative and digital and business services; and logistics and distribution. The plan will support a 10% increase in economic performance between 2010 and 2020".

Most recent employment growth across the wider Gateshead geography has been within the retail, hospitality and health and social care sectors. Significant progress has been made with the regeneration of Gateshead's town centre with increased visitor numbers and the creation/protection of over 850 jobs. In the next two years, Blaydon, Felling and Birtley town centres will be undergoing retail led redevelopment creating around 500-600 new jobs and the Intu Metrocentre generating around 1,000 vacancies per year and possibly developing the MetroGreen site in future years.

## Rural Economy

Gateshead has an under performing rural economy, with statistics<sup>53</sup> highlighting that 74% of the working age population travel into Newcastle, urban Gateshead and the wider region for work.

This demonstrates a weak rural offer and the potential to promote economic growth to contribute to improving the overall economic performance of the wider LEP area.

Despite pockets of deprivation, the rural area has many distinct advantages, such as a high quality living environment and faster broadband through the Broadband Delivery UK (BDUK) programme, will further enhance opportunities for growth of new businesses.

The Rural Growth Network, which includes Northumberland, Durham and rural Gateshead, is supporting the growth of new businesses. Opportunities for high growth businesses in key sectors such as knowledge, creative and digital and advanced manufacturing will be promoted alongside new start businesses in sectors such as tourism.

## Housing

There are approximately 92,591 dwellings in Gateshead<sup>54</sup>. Around 60% of stock is owner-occupied; 30% rented from the Council or registered providers, whilst 7% are private rented and 0.5% shared ownership. It is estimated that the turnover of existing stock will meet 90% of all housing requirements<sup>55</sup>. However this clearly illustrates the need for new housing in the borough, with a range of new stock required to meet the need of potential new and existing residents.

<sup>53</sup> Travel to Work Patterns, Census (2001)

<sup>54</sup> DCLG Live tables

<sup>55</sup> Strategic Housing Market Assessment, DCAUK (2010)

# Economic Inclusion - Place

The 2011 Census has highlighted that nearly 5,500 households are classified as overcrowded, not having enough rooms for the number of people in them. Single person households have now overtaken married couple households as the largest household type in Gateshead. These may have implications for future housing provision.

As well as meeting need, increasing the supply of new homes helps to control overall price levels with regards to sales and rents - enabling more people to access homes they can afford. Housing therefore has a significant impact on economic growth. An enhanced housing offer improves labour market flexibility and economic competitiveness, which is key to attracting or deterring both workers and businesses into an area. Every £1 invested in construction output generates £2.84 in total economic activity<sup>56</sup>.

The Core Strategy<sup>57</sup> sets a target of an extra 10,700 new homes in Gateshead by 2030 to meet the demands of a growing and aging population, and changes in the number and nature of households. Taking account of planned demolitions, this equates to a new build figure of 13,200 (of which around 15% would be needed for affordable rent and low cost home ownership). This will mean building approximately 700-800 new homes per year.

Improving the energy efficiency of existing homes is a national and local priority. This has clear benefits in terms of reducing fuel poverty, improving health (reducing excessive winter deaths), and meeting carbon reduction targets. Gateshead has made great progress in improving the efficiency of local homes. One of the main challenges is to encourage the uptake of Green Deal which helps people pay for home improvements like insulation through savings on their energy bills. Opportunities also exist to install renewable technologies and to link homes to low carbon energy sources such as the town centre district heating scheme, which should reduce the cost of energy for households.

Gateshead has plans to demolish around 2,500 properties that are not fit for purpose up to 2030. Although this reduces the number of homes available in the borough over the short term, it does free up sites that can provide new housing more appropriate to the long-term needs of the market.

It is vitally important to build good quality homes that meet the needs of current and future generations. Around 75% of new homes built will be for market housing. All future development will address the imbalance of stock type and size.

The Strategic Housing Market Assessment<sup>58</sup> identified that the majority (60%) of homes should be family sized (three bed and above) accommodation. Building larger detached accommodation particularly in locations in the more rural west and south of the borough will support growth strategies by reducing the outflows of economically active residents into Durham and south west Northumberland in search of larger accommodation. There is a need for larger homes in central Gateshead.

<sup>56</sup> Construction in the UK - The Benefits of Investment, UK Contractors Group (October 2009)

<sup>57</sup> Newcastle Gateshead Core Strategy, Gateshead Council (2012)

<sup>58</sup> Strategic Housing Market Assessment, DCAUK (2010)

# Economic Inclusion - Place

The remaining homes (40%) should be mainly two bed accommodation for singles, couples and small families. First-time buyers are likely to be a key group for this accommodation. There is also a need to improve the choice of suitable accommodation for the increasingly elderly population. There is demand for bungalow accommodation to meet the requirements of older people; this will facilitate the release of much needed family homes. There is a need to look at new high quality apartment provision for older people in suitable urban locations with good transport connections.

In terms of demand for new homes, first time buyers are a critical group. For those who can afford mortgage costs, there remains difficulty in securing a mortgage offer (often because of a lack of a deposit or insufficient credit history). Transaction costs are also a barrier to access as is competition with landlords. This causes problems further up the housing chain and therefore creates market stagnation and potential overcrowding. In Gateshead there is a recommended target of 15% affordable housing on sites with 15 or more homes: 75% should be for rent and 25% for intermediate ownership (shared equity, shared ownership and rent to buy).

The Council needs to ensure that homes are able to meet the needs of disabled people and the aging population. This will include designing lifetime neighbourhoods, building homes to lifetime and wheelchair standards, and including assistive technology in general needs accommodation built for older people. Student accommodation is another specialist form of housing. Northumbria University has built 1,000 new homes in the town centre. This is likely to meet current demand. However, there will be opportunity to provide new and existing homes in Gateshead to encourage students to remain in Gateshead as they move out of university accommodation and after they graduate.

There is an increasing risk of households losing their homes as a result of being unable to meet mortgage payments (2% of mortgagees are more than three months in arrears)<sup>59</sup>. Repossessions are high, although Gateshead is not as badly affected as other regional local authorities<sup>60</sup>.

## Transport

The Local Plan highlights the importance of a good transport infrastructure to support economic growth. Investment in infrastructure will be a key driver of economic performance and growth. Infrastructure provides new employment opportunities, particularly in sectors such as construction; while in the long-term it creates a set of assets that are vital to driving improvements in productivity performance and facilitating the transition to a low carbon economy.

Increasingly people are becoming more mobile for work, particularly to access high paid employment. The concept of functional labour markets outlined earlier in this report highlights the need for people to be able to travel to access work. Therefore, in addition to creating good quality jobs for residents, skilled residents need to be able to travel around the wider region for work - and in doing so bring wealth back into the borough to spend. Good quality transport not only supports economic growth in terms of allowing ease of transportation for goods and services, but helps businesses through increased mobility of residents to access employment opportunities.

<sup>59</sup> Financial Services Authority (Q1 2012)

<sup>60</sup> England Repossession Risk Hotspots, Shelter (2011/12)

# Economic Inclusion - Place

The Eddington Transport Study (2006) identified seven main linkages by which transport improvements had an impact on economic growth. These were:

- Improved business efficiency, notably by travel time savings, improving journey time reliability and travel quality;
- Stimulating business investment and innovation by supporting economies of scale and new ways of working;
- Agglomeration economies which bring firms closer (in space or time) to other firms or workers in the same sector;
- Improved labour market efficiency, enabling firms to access a larger labour supply, and wider employment opportunities for workers and those seeking work;
- Increasing competition by opening access to new markets, principally by integration of world markets;
- Increasing domestic and international trade by reducing trading costs; and
- Attracting globally mobile activity to the UK, by providing an attractive business environment and good quality of life.

## Tyne & Wear Metro

Nexus are currently undertaking their All Change Reinvigoration Project which to date has included the redevelopment of stations in Newcastle and Sunderland and £385million investment in track renewal, bridge repairs, rolling stock refurbishment, new ticketing equipment etc and is due for completion in 2016.

The project is part of a strategy to develop the longer term future of the Metro including potential corridor expansion. Initial feasibility studies have included, amongst others, three possible extensions in Gateshead including Pelaw to Washington, Gateshead town centre to Team Valley Trading Estate and Gateshead town centre to Intu Metrocentre. These potential expansions could offer huge benefits in improving the accessibility of sites that drive the local economy; and are key employment sites of Team Valley Trading Estate, Intu Metrocentre and Follingsby Park.

## Bus Network

In addition to planned changes on the Metro system, the Tyne & Wear Integrated Transport Authority (ITA) have recognised the need to rejuvenate the bus services delivered to local people to encourage increased use of public transport, by looking at alternatives to the current deregulated model. The last twenty years has seen a general pattern of shrinking bus networks, rising fares and falling passenger numbers across the country, except in London. Increasing pressure on the public funding that goes to meet the cost of concessionary travel can only worsen the situation.

# Economic Inclusion - Place

The possibility of a Quality Contract Scheme (QCS) would see the ITA taking responsibility for almost all bus services in Tyne and Wear for a 10 year period, potentially starting in 2015. The ITA and Nexus believe there would be significant benefits from a QCS including:

- Cheaper fares for young people and students;
- Simple and easy to understand zone-based adult fares;
- Future fare increases capped at the level of inflation on average;
- Travel with a single smartcard, with a best price guarantee;
- Modern low-emission, easy access buses with real time information as standard;
- A stable bus network which provides better value for money for local taxpayers;
- A bus system that is accountable to taxpayers through a public body.

## Road Network

The improvements to the A1 at Lobley Hill are pivotal to tackling road congestion, and thereby essential to achieving economic growth potential. The A1 Western Bypass forms the main north-south road link within Tyneside. It is part of the strategically important road link between London, Tyne & Wear and Scotland but is also hugely important for local journeys.

The average weekday traffic flow on the Lobley Hill to A184 section, which is the third most congested link on the national motorway and trunk road network, is carrying over 120,000 vehicles, approximately three times its theoretical maximum capacity. Consequently, very heavy congestion occurs daily in both directions during the morning and evening peak periods. High levels of congestion have an impact on economic performance.

Additional projects:

- The 'Go Smarter to Work' initiative - £5million of investment from the Government's Local Sustainable Transport Fund up to the end of 2014/15 focusing on the A1 corridor and aims to reduce car use for commuters. Also assistance to people looking to get back into work with the roll out of real-time bus information improvement of cycle parking at metro and bus stations;
- Nexus provision of travel vouchers to those long-term unemployed for training, interviews or the initial month of employment;
- A new scooter hire scheme is being introduced that will be focused on the more rural parts of Gateshead, where anyone eligible for the travel voucher will also be offered scooter hire as an alternative; and
- The ITA is also overseeing the way in which technology is taking a key role in how transport systems are managed. In 2010 it was agreed that the Urban Traffic Management & Control (UTMC) project should be funded initially for four years from Congestion Reward Funding received from Government. The Tyne and Wear UTMC facility was established in June 2011 and formally launched by members of the ITA in February 2012. A Strategy Group guides the basis of UTMC operations for the five districts.

# Economic Inclusion - Place

## Natural Environment and Energy

The development of the Rural Economic Strategy has highlighted the need to make better use of Gateshead's rural areas, particularly around the self evident benefits of both the leisure and tourism and renewables industries. In Gateshead, over 200,000 visitors come to the Derwent Country Park and approaching 200,000 to Gibside Estate, each year, which illustrates the potential for Gateshead's countryside in generating business and income from ancillary services to visitors (e.g. catering, accommodation etc.).

The quality and extent of Gateshead's natural environment is one of its most distinctive attributes compared with neighbouring Tyne and Wear authorities, making it an attractive place to live, work and invest. Initiatives such as the Northern Kites Project have already illustrated this potential. This should be explored further, particularly in the Derwent Valley. Contact with the natural world also brings wider benefits for local communities, notably for public health and well-being.

Rising energy prices, and increasing subsidy for renewable fuel production and use, continue to increase the potential for supporting bio fuel businesses. These would include both wood fuel production, from sustainable woodland management, as well as other sources (e.g. biogas from agricultural arising etc).

Opportunities exist for Gateshead to capitalise on the development of the low carbon economy with drivers for low carbon goods and services continuing to grow, driven by a mixture of energy price increases, government policy on reducing carbon emissions, and consumer behaviour seeking greener lifestyles, goods and services. Gateshead is already well established in this sector however there is a need to address the potential for existing and new businesses to expand in both the domestic and commercial sector of the industry.

With Government schemes such as the Green Deal Scheme encourages both domestic and commercial customers to invest in subsidised energy efficient measures. In addition to this, the North East is the only region to have a local authority backed scheme to deliver energy efficiency works to homes. Warm up North, in partnership with British Gas, aspire to deliver £200million of works to 50,000 homes over the next 5 years. This alone is expected to create 300 jobs, and stimulate the supply chain in all aspects of home energy efficiency.

Government subsidies continue to be provided for micro generation of renewable electricity and heat generation, and numbers of installations of solar PV, solar water heating and biomass boilers continue to increase. In addition to increasing demand for energy efficiency works, opportunities also exist in the expansion of local energy generation and supply. Rising energy prices and government subsidies for renewable fuels are creating the right economic conditions for local energy supply schemes to proliferate. Key opportunities include:

- Gateshead town centre has high densities of energy users - both commercial and domestic - in close proximities, which make local energy generation and distribution schemes cost effective. The Council is currently in the process of developing its own district energy scheme to provide heat and power to customers in the town centre. Outside the town centre, concentrations of social housing (e.g. multi-storey tower blocks) and industrial estates (e.g. Team Valley Trading Estate), also provide densities of energy users that should support district energy and heating schemes. Biomass heating schemes are being develop for multi-storey blocks.

# Economic Inclusion - Place

- Academic research by Newcastle University has confirmed the presence of geothermal heated water, at 75 - 80oC in the geology beneath Newcastle. This same geological formation is thought to extend under Gateshead, and elsewhere. Another geothermal borehole is currently being drilled in North Tyneside. While the commercial viability of these as a district heating source is still to be confirmed, the research to date is indicating increasing confidence that geothermally produced heat could become more prevalent in the Tyne Valley area.
- The Council has already received interest from private developers as a potential location for biomass-fired power stations, by virtue of Gateshead having suitable vacant industrial land, in close proximity to rail networks, which would be of use for large scale wood fuel delivery.
- The hydraulic fracturing system known as fracking involves fracturing rocks deep underground with water and chemicals to extract natural gas and has been found to significantly cut energy bills in the USA. The exploratory, appraisal or production phase of gas or oil extraction can only take place in areas where the Department of Energy and Climate Change have issued a licence under the Petroleum Act 1998 (Petroleum Licence). A check of details of licensed areas shows that no such licences have been issued across Gateshead, or indeed much of the North East. However, the potential areas for consideration of fracking were significantly extended early in 2014 by government, and the majority of land in the North East and west coast of Cumbria is classed as an 'area under consideration'.

## Town Centre and Local Regeneration

The challenge for central Gateshead is to create a successful and sustainable centre which has a distinct retail offer that compliments Newcastle retail centre and the Intu Metrocentre. Gateshead however, is less well positioned in retail terms, predominantly providing for local shopping needs, with a low proportion of national multiples and a higher than average level of vacancy.

Retail centres perform an important role in the day to day lives of the borough's residents and the local economy, forming the focal point for uses, services and facilities serving the surrounding population. In addition to meeting local needs, the role of the retail sector in attracting visitors and contributing to the economy will be supported.

The Council and its partners are currently developing sites, investing in infrastructure and the local environment and improving skills and building capacity in local communities and businesses.

Broadly the regeneration initiatives will deliver:

- New or improved accommodation for business, retail, leisure and residential uses;
- New or improved infrastructure and built environments e.g. new car parking, new bicycle lanes, new green spaces and greenery; and
- Improved skills and building capacity in people and groups that benefit themselves and / or their local community e.g. establishing a local business forum.

# Economic Inclusion - Place

## Gateshead Centre and Quays

- Trinity Square opened in May 2013 providing retail accommodation for a Tesco Extra supermarket and national & local retailers, a 750 space car park, a health centre, a cinema and 1,000 bed student accommodation.
- In addition to Trinity Square the streetscapes on West Street and High Street have been completely transformed using high quality materials and furniture.
- A Traders Association has been established to represent the view of local businesses; provided free 1-2-1 retail business support; provided shop front improvement grants; created two new public spaces. A test trading shop will support and expanding the independent retail sector.
- In addition further support will be provided to help deliver new investment in the Quays.

## Case Study - Trinity Square in Gateshead Centre

Over the last year the monitoring of Key Performance Indicators in Gateshead Centre has allowed the Council to measure the impact of Trinity Square on the local economy. The provision of new retail & leisure accommodation has attracted national retail chains to Gateshead Centre that were not here previously which in turn has attracted more visitors to the area and increased spend.

Weekly visitor numbers have increased from 200,000 and a corresponding spend of £1,300,000 in April 2013 to 327,900 visitors and a corresponding spend of £2,150,000 in December 2013. This represents an increase in weekly visitor numbers and spends of 60% over a nine month period.

## Local Centres

Local centres provide the services needed for sustainable communities and high quality local services meet the needs of local people and help attract people to live in the borough.

The redevelopment of Blaydon town centre has made excellent progress in the last year. A new health centre, day centre and car park have been redeveloped, whilst the Morrison's supermarket is creating 350 jobs. Major new retail facilities are planned in Birtley, with a new Morrison's supermarket expected to create 250 jobs by the end of 2014, whilst in Felling the construction of a new Asda supermarket and retail units is expected to create 120 new jobs.

In Dunston, planning permission has been granted for a new Aldi supermarket off Ravensworth Road. This is part of the complete regeneration of the former Dunston Rocket site. New family homes, older people's accommodation, a new medical centre and retail units are all part of the project. The supermarket is due to open later in 2014 with the other elements following in 2015.

# Policy Documents

The Adonis Review (2013)

The Strategic Economic Plan - More and Better Jobs

Glasgow University

The Economic Growth Acceleration Plan 2014-2018

The Local Plan

The Urban Core Area Action Plan

The Employment Land Review

The Urban Core Area Action Plan

The Office Needs Study (2012)

Strategic Housing Needs Assessment

Strategic Housing Market Assessment

Vision 2030 - Gateshead Strategic Partnership

The Council Plan 2012-2017

The Eddington Transport Study (2006)

An Economic Strategy for Rural Gateshead

North East Local Enterprise Partnership Skills Action Plan

LA7 Mobilising Local People Topic Paper

LA7 Employment and Skills Implementation Plan (May 2014)

Gateshead Apprenticeship Plan

Joint Strategic Needs Assessment

Government Digital Inclusion Strategy

Rural Statement (September 2012)