

Cabinet

26 November 2004



'Moving Forward: The Northern Way. First Growth Strategy Report'

Report of Mark Lloyd, Deputy Chief Executive (Policy and Strategy)

Purpose of the Report

- 1 To inform Cabinet about the launch and major implications for County Durham of 'Moving Forward: The Northern Way Growth Strategy Report'.

What 'Moving Forward: The Northern Way' is

- 2 Moving Forward: The Northern Way (First Growth Strategy Report) was published on 20th September 2004. The Northern Way originated from a desire by the Deputy Prime Minister, John Prescott, to capitalise on the North's confidence and energy, and speed up the rate of economic growth in order to close the £29 billion gap between the North and South of England. The aim is to establish the North of England as an area of exceptional opportunity with a world-class economy and a superb quality of life.
- 3 The Northern Way sees cities, conurbations and transport infrastructure as the primary drivers for economic growth. The Northern Way is also aimed at providing significant benefits to urban communities that are within commuting distance of the cities - and, by boosting the economy of the North as a whole, to the rural areas of the region. Eight city regions are seen as key to accelerating economic growth in the North: Liverpool, Manchester, Sheffield, Leeds, Central Lancashire, Hull and the Humber Ports, Tees Valley and Tyne and Wear.
- 4 In order to accelerate the rate of economic growth across the North's city regions the first growth strategy outlines ten policy priorities. These are:
 - bring more people to work;
 - strengthen our knowledge base to support innovation by every company;
 - build a more entrepreneurial culture;
 - capture a larger share of global trade and support the expansion of key clusters;

- invest significantly more in meeting the skills needs of our employers;
- prepare a Northern Airports Priorities Plan;
- improve access to the North's sea ports;
- invest in creating better integrated public transport services within and between our city regions, in particular invest in better rail links between the city regions centred on Manchester and Leeds;
- take a bolder approach to creating truly sustainable communities;
- market the North to the world.

- 5 The Northern Way aims to unlock the North's potential by:
- adding value through pan-regional working;
 - building on our combined assets and networks;
 - creating a world class critical mass;
 - addressing those areas where collaboration adds value.

Why there is a Need for 'The Northern Way'

- 6 The well-documented £29 billion productivity gap between the North and South is widening. The Northern Way Growth Strategy aims to tackle this by building on the North's assets to transform the North into "extra cylinders" of the UK's economic engine, and maximise its contribution. The main issues identified in the Northern Way Strategy include:
- fewer small and medium sized enterprises (SMEs) in the North.
 - low numbers of new business start ups compared to the rest of England;
 - fewer companies in the North are "knowledge intensive", as measured by the proportion of the workforce that are graduates;
 - the northern regions have the highest proportion of the working age population with no or low qualifications and the lowest proportion with higher level qualifications;
 - Key Stage 4 attainment in the North of England is poor by comparison with the country as a whole;
 - worklessness in the North is also high in comparison to UK levels;
- 7 The biggest element of the disparity is the proportion of people on incapacity benefit. In England as whole, some 6.3% of the working age population are claiming incapacity benefit. In the North East, 10.5% are claiming this benefit, with 9.6% in the North West and 7.1% in Yorkshire and the Humber.

Delivering ‘Moving Forward: The Northern Way. The First Growth Strategy’

- 8 In order to deliver the strategy a Steering Group and Task Group have been set up.

MEMBERS OF THE STEERING GROUP

Sir Graham Hall (Chair)

RDA Chairs

Bryan Gray (North West Development Agency), Margaret Fay (One NorthEast), Terry Hodgkinson (Yorkshire Forward)

Regional Assemblies

Peter Box (Chair Yorkshire and Humber Assembly), Bob Gibson (Leader North East Regional Assembly), Tony McDermott (Leader North West Regional Assembly)

Core City Lead Councillors

Tony Flynn (Newcastle), Richard Leese (Manchester), Keith Wakefield (Leeds)

English Partnerships

Margaret Ford (Chair)

University representative

Drummond Bone (Vice Chancellor, University of Liverpool)

Government representative

Ed Balls (Special Adviser HM Treasury)

Business Development representative

Sir Ian Wrigglesworth (Chair, UK Land Estates)

Housing representative

David Taylor (Partnerships Ltd Executive Chairman)

- 9 Chaired by Alan Clarke, Chief Executive of One NorthEast, the Task Group is responsible for the project management, stakeholder engagement and drafting of the report. Membership includes representatives of the three Northern RDAs, Government, a representative of the regional assemblies and the Core Cities. The Group has also sought additional expertise through Sounding Boards, comprised of academics, developers and investors.

Governance

- 10 Due to the level of work that would be involved in implementing the Northern Way, it is proposed that there should be a Northern Way Secretariat for each City Region, managed by the RDAs. One of the first tasks for the Secretariat will be to produce a detailed delivery plan to cover the implementation of the Northern Way. The County Council is represented on the North East Steering Group and has seconded a member of staff for 2 days per week to each of the North East City Regions' Secretariats.
- 11 Further discussions regarding the delivery arrangements for the Northern Way have yet to take place but it is imperative that every effort is made to ensure that new arrangements complement existing County and sub-regional structures. It is of particular importance to the

County to try and ensure that measures to improve governance of the Tyne and Wear City Region do not compromise delivery of existing County Durham Strategic priorities.

Implications for County Durham

- 12 The experience of other nations was reviewed as the Northern Way was prepared and it was found that many successful European cities generate GDP per head which is well above their national average, therefore making them of critical economic importance. The Northern Way is based on this core cities concept. The eight city regions are seen as key to any effort to accelerate the economic growth of the North due to the fact that they house 90% of the North's population and more than 90% of its economic activity and current economic assets.
- 13 This presents a challenge for County Durham. Sedgefield is included in the Tees Valley City Region with Derwentside, Chester-le-Street, Durham, and Easington in the Tyne and Wear City Region. It is important that the opportunities presented by the Northern Way are fully capitalised on in both city regions for the benefit of the entire County.
- 14 The Northern Way accepts that each city region is very different. Plans to accelerate economic development must reflect this. All city regions cannot grow at the same pace, but rather must play complementary roles to one another. Leeds and Manchester are seen as a genuine alternative to London. Whilst accepting this it is important that County Durham maximises the economic development opportunities that result from the first growth strategy.

Rural Implications

- 15 The strategic focus of the first growth strategy is undoubtedly on the eight city regions, however the Northern Way recognises that as the strategy develops a greater focus will be placed on the economic gains that can be derived from building a stronger complementary relationship between urban and rural areas. Existing linkages that will benefit from and contribute to the Northern Way include, the urban fringe areas, digital communications networks, land based industries and the North's offer to visitors. Maintaining the vitality of rural areas is seen as important both to sustain rural businesses and because the rural environment helps make the city regions more attractive places to live and work. This close proximity is highlighted as a particular strength of the North with benefits for both urban and rural communities.
- 16 Issues of sustainability that span both urban and rural affairs are also recognised as important, as are supply chains and labour markets that extend well into rural areas. In terms of the Regional Skills Partnerships the needs of both city regions and rural areas are highlighted as

important as with regard to planning, future spatial issues and economic development.

Tackling Worklessness

- 17 The Northern Way will attempt to bring a further 100 000 people into employment by 2014. In order to achieve this tackling the number of people on incapacity benefit and concentrating on areas that have high levels of worklessness through working with the Department of Work and Pensions to develop six pilot areas by April 2005 will be a priority. It is envisaged that this will be achieved by building on existing Pathways to Work programmes and offering an enhanced, flexible menu of provision for benefits claimants. Whilst the six pilot areas have not yet been identified, it is expected that 2 will be in the North East. The majority of those on incapacity benefits in the North East are in Tyne and Wear and Tees Valley, although Easington District has the highest level of incapacity/head of population. It will be necessary to lobby for Easington District to be one of the pilot areas.
- 18 A key development will be the convergence of Jobcentre Plus approaches with initiatives developed by the Regional Skills Partnerships with a focus on level 2 qualifications. Merging these two areas should benefit County Durham as a whole and the Economic Partnership will seek to ensure that this opportunity is capitalised upon.

Developing the Knowledge Economy

- 19 The Northern Way acknowledges that the North East's workforce is less knowledge intensive than the rest of the UK and recommends a number of initiatives to improve this. Across this strand it is important that the development of the knowledge economy and the growth of NetPark in the County is aligned to initiatives that emerge from the Northern Way. NetPark will become a direct contributor to increasing rates of science and technology based business start-ups and spinouts and increase private and public sector investment in research and development within the Tees Valley city-region.
- 20 The Northern Way aims to strengthen the North's knowledge base by seeking to increase expenditure on research and development by both businesses and Government by 25% by 2010 and by another 25% by 2015. There is an aspiration for the County to be a central part of the Northern Way Science Initiative. It is important that the County Council, through the County Durham Economic Partnership, supports a high-impact Innovation, Design and Science programme within the regional context and the pan-Northern growth strategy.

Enterprise

- 21 Successful regional economies are driven by high rates of entrepreneurship. Increasing business start-ups, shortage of potential entrepreneurs, nurturing "home grown" entrepreneurs and attracting others from elsewhere are all objectives of the County Durham

Economic Strategy. Enterprise in Education should be developed in the County, building on work regionally and through local pathfinder schools, the results of which will feed into the Northern Enterprise in Education Programme for September 2005.

Clusters

- 22 Potential target clusters identified in the Northern Way include: Manufacturing, Chemicals, Food and Drink, Advanced Engineering, Energy and Environmental Technologies, Financial and Professional Services and Logistics. County Durham will be able to capitalise on these opportunities, e.g. NetPark and the A1 and A19 growth corridor areas. It is important in both the short and long term that County Durham retains and builds on its strengths in key clusters identified within the Northern Way.

Skills

- 23 To increase skills levels of those in work, the Northern Way will urge Regional Skills Partnerships to make provision for 200,000 employer specified learner places by 2008. The report also sets out the need to develop provision for sector specific skills needs and to give businesses a simple offer. It is important that County Durham is in a position to benefit from this, and that lessons learnt through the Northern Way are implemented throughout the County.

Next Steps

- 24 Contained within the Northern Way is a summary of the strengths, barriers to growth and opportunities being promoted in each of the city regions. The report recognises that further discussion is required. The Secretariat in each city region will prepare a city region development programme to set out how it can contribute to accelerating the economic growth of the North. It is envisaged that interim reports will be ready for the Sustainable Communities Summit in January.

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Appendix 1: Implications

Finance

Not known at this time.

Staffing

1 member of staff will be seconded for two days per week to work on the Tyne and Wear City Region development plan and one member of staff will be seconded for two days per week to work on the Tees Valley City Region development plan

Equal Opportunities

None.

Accommodation

Not known at this time.

Crime and Disorder

None.

Sustainability

Not known at this time.

Human Rights

None.

Localities

Not known at this time.

Young People

None.

Consultation

None.