

Economic Assessment of Northumberland 2008

**Futures Workshop, 24 January 2008
Outcomes Report**



**Northumberland
Strategic Partnership**

Introduction

In order to initiate a debate as to the scope and approach to be adopted in preparing an Economic Assessment of Northumberland 2008, a “Futures” workshop was held in January 2008. The session was attended by around 30 key stakeholders with a direct interest in helping to shape economic prosperity in the county – collectively (the list of attendees is reproduced at Appendix 1) they represented a reasonable cross-section of interests

The workshop was delivered in two parts.

Part A: Economic Modelling and Forecasting

Andrew Hunt, a Research Fellow from Durham University gave a presentation (reproduced at Appendix 1) that demonstrated some of the methodologies currently being used, as part of the “Durham University Business School (DUBS) Model” to produce detailed forecasts and projections broken down into regional and county level.

The presentation centred on recent work produced by the University at the request of Northumberland County Council to inform SQW’s work as part of the Northumberland Employment Land Study.

This involved generating a set of long-term employment projections for the county. These illustrate a likely baseline position for the area were things to continue under the assumption of ‘business-as-usual’. The alternative of having no numerical estimates on which to base future planning, or guesstimates based upon unqualified perceptions or feelings of individuals and groups is clearly an undesirable position.

These projections do not preclude more qualitative analysis, but the numerical projections can be used as a reference point or baseline scenario. They reveal a central trend to which subsequent, more qualitative, analysis can be anchored. Considerations based upon local knowledge of future interventions, business behaviour, demographics, etc. can be incorporated in to a more general analytical framework and considered in light of the baseline Northumberland employment figures. This process will enable future decision making to be informed by a robust and properly constructed evidence base.

Additionally, the projections themselves can be used to inform and shape future interventions. For example, the numbers indicate likely demands for employment resulting from expected economic restructuring. This restructuring poses several questions – for example, given natural demographic change how will the county’s residents respond to projected expansions or contractions of economic activity within certain sectors?

Copies of the full report ‘Modelling the North East Economy: Long-Term Employment Projections for Northumberland’ are available from the Infonet.

Part B: Economic Drivers and Scenario Planning

Phil Shakeshaft of Future Matters presented (reproduced at Appendix 1) an outline of the key drivers and issues which could potentially shape the nature of our lives in 2020.

Participants were then asked to complete a series of tasks designed to establish the key ‘drivers’ which were likely to impact on the future of the county.

1. Future Perspectives

The first of these was designed to capture individual perspectives of the future of the Northumberland. Each participant was given up to two minutes to answer four simple questions:

What is the situation today?

Contributors were keen to emphasise the natural environment and unique sense of place in Northumberland. Comments often related to the beauty of expansive open spaces, the coast, market towns, the overall sparseness of population in the county and its appeal to visitors. Heritage and tradition are seen as valuable, and the pace of life and ease of travel were also regularly mentioned. There is, however, a significant contrast observed between Northumberland's tranquil, affluent, rural settings and its urban settlements, found particularly in the south east of the county.

The dependence upon public sector employment is a common concern, along with a perceived lack of opportunities for young people to obtain relevant skills and employment. The talent pool available to Northumberland employers is diminished by migration of skilled individuals away from the county, and many residents travel outside of Northumberland to work. A combination of young people moving away and the prevalence of retired residents or second-home owners has contributed to the rising average age in the county. Some contributors claim these factors are hampering the vitality and economic viability of certain areas.

Deprivation and worklessness are seen as existing in 'pockets' within Northumberland, where 'benefit culture' and chronic worklessness are prevalent. These cultural problems are seen as a consequence of the decline of the region's traditional industries, along with limited economic variety and low business start-up rates.

Respondents describe an unsure economic future for Northumberland, marked by inequality and contrast, but with grounds for optimism. A number of responses mention a diversifying local economy, with growing employment in small businesses, good ICT accessibility, relatively low unemployment, and communities that are open to change and personal development.

Where would we like to be in 2020?

Residents will see a strong and diverse base of local employers, brought about by increased local start-up rates as well incentives, such as lifestyle, attracting the right kind of employers to the county. This would lead to a larger, more diverse local population, which some respondents see as essential for progress. There are hopes that firms will be working in higher-value and niche areas, and supported by a more skilled and flexible workforce.

Knowledge-based companies are seen as important – consensus is that more creative and innovative forms of work will be beneficial for Northumberland. 'Lifestyle' related businesses, renewable energy and tourism related enterprises are all favoured, and it is anticipated that technology will play a significant role. Due to the rural nature of much of the county it is hoped that ICT will provide benefits to all, including possibilities of home-working and access to support and services otherwise unavailable due to location.

Most respondents agreed that in a successful Northumberland, the gap between the richest and poorest will narrow, and economic exclusion will be reduced. Education, training and career support will be more readily available and sought, and there will be

better communication with neighbouring regions and beyond, so as to provide the best possible opportunities and give youngsters reasons to stay in the county.

It is clear that people want Northumberland to retain the features that define its character – the rural settings, relaxed pace and quality of life, as well as the pervasive community spirit. People are willing to accept the evolution of their urban spaces into more cosmopolitan and vibrant areas through business and infrastructure development and through people moving to the area. There is still a strong feeling, however, that community cohesion is a top priority and town centres should be sensitively developed in order to retain their prominence as attractive and welcoming community hubs.

What needs to change in order to achieve this vision?

The main areas where respondents identify a need for change include investment decisions, business & enterprise enticement, and community input into decision-making.

A recurring suggestion was that measures should be taken to make Northumberland a more attractive place for businesses, new or established, to locate themselves. Tourism is seen as an important area for investment, along with related areas like leisure, accommodation and the transport infrastructure – investment in which would improve the county's attractiveness to all businesses. Technology and communications improvements are similarly mentioned as important factors in promoting enterprise. A more diverse stock of businesses is a desired outcome. Sectors put forward for development include business and financial services, R&D intensive operations, and renewable energy. Investment in people, in the form of training and support infrastructure, is also seen as crucial.

In terms of the public sector, a common opinion is that there should be more cooperation with private and voluntary enterprises. Public authorities are criticised for their bureaucratic and inflexible nature. More risk taking and willingness to change would be welcomed, with activity more focussed on people and communities, for instance, in terms of training and access to technology. Better linkages with neighbouring areas like Tyne and Wear would also be welcomed.

Competition between agencies offering skills provision is considered inefficient, and a common opinion is that structures in general would benefit from simplification. This includes planning and other regulations which can purportedly make business start-up unnecessarily protracted.

A recurring theme in this section was that more power should be allocated to a local community level to address real problems and exploit real opportunities which exist. More opportunities are required to express the specific needs of Northumberland and its distinct communities and more community-based service delivery, tailored to local needs, is widely favoured.

What distinctive competencies does the county possess that will help it to achieve these goals?

The consensus from the answers collected was that Northumberland's natural features will continue to give the county its distinct identity and will play an important role in its development. Factors like the naturally beautiful and peaceful environment, the heritage, ease of travel and the friendly, welcoming people all contribute to a high quality of life. Respondents believe this will encourage people to come to the county, to visit and to work.

Traditional market towns and rural settlements, which have largely resisted the influx of national brands and large-scale redevelopments, are seen as integral to Northumberland's identity. The so-called "clone town" phenomenon is something the residents wish to avoid, fearing it could compromise the distinct identity of the county's towns, thus reducing its appeal to those seeking a unique location.

People report that Northumberland has excellent internet connectivity, and support mechanisms which will help in developing opportunities. Good links with the Tyne & Wear conurbation ensure that the county is not isolated and, helped by an ability to adapt and change, people believe that a more diverse and vibrant selection of enterprises can be nurtured in, or attracted to, the area.

2. Driver Analysis

The group were presented with a series of trends, or 'drivers,' which were likely to have an impact on Northumberland. These drivers were formulated by Future Matters through a combination of desk research, experience in the field and discussions with key stakeholders in the region.

The participants were asked to comment on the drivers provided and then nominate three which they felt would be the most important for the future of Northumberland, these issues were then grouped to produce the following 'key themes.'

Population – the changing nature of regional demographics is likely to have a significant impact upon the Northumberland economy. A natural shortage of highly skilled people will leave the county reliant on inward migration from abroad and from elsewhere in the UK. The area will also need to retain a much larger percentage of its young people if it hopes to achieve sustainable long term growth. The increased proportion of older people will create both problems and opportunities for the economy.

Skills & Employment – An economy is increasingly defined by the quality of its workers and as such it is important to build the skills base at every opportunity. Northumberland will need to anticipate changes in its economic structure and identify target areas where they need to develop the skills base. This development will be achieved through a mix of academic and vocational training delivered at a variety of levels. At the same time Northumberland must strive to create and attract new high growth industries, whilst also helping the existing business base to thrive by meeting their various skills needs.

Environment, Resources & Infrastructure – Many people identified the environment and climate change as key issues for Northumberland, it was highlighted not only for the impact it might have upon the natural resources of the county, but also for the opportunities it may present in the form of new eco-friendly markets such as food, renewable energy and manufacturing. The increasing scarcity of resources such as oil and gas will push the cost of fuel higher and higher, the group felt that this was important due to the impacts on the cost of production, travel patterns and the world of work. The natural environment is also important in improving the perceptions of the area, the natural beauty, superior quality of life and affordable housing in the county could be used to attract inward investment and talented individuals.

Technology – Technological development is an inevitable part of future change; Northumberland must make every effort to ensure that it is either at the cutting edge of this development, or at least well positioned to become an early adopter. The group identified digital technology as an area where the county needs to make a particular effort, given the impact it will have on communications and the ease with which it can breakdown the geographical barriers which the area faces.

Lifestyles – Quality of life is an area where Northumberland performs well on most measures, the population density in the area is well below the national average and housing is more affordable than it is nationally. As mentioned previously, these attributes could potentially be used to aid in the economic development process. However there are some lifestyle issues which the groups feel the county must address, issues such as worklessness, health & well-being, assistance for lifestyle business ventures, culture and the inequitable distribution of wealth across the area.

Governance & Policy – A significant number of people in the group pointed out that Northumberland should strive to create strong leadership with a clear coherent view of what is required and a collective vision of what a successful outcome looks like. This vision should reflect the desires of all levels of the community as without full buy-in it is much less likely to succeed. The partnerships Northumberland forms with other areas and initiatives will also be important, full integration with schemes like the Northern Way and City-Regions will help to ensure that Northumberland is never isolated from any potential opportunities or funding streams. The county has a strong community feel and we must look to capitalise on this by developing the skills, knowledge and aspiration of the population. Through effective community engagement and strong, focussed and decisive public policy which engages with private sector stakeholders, Northumberland can begin to close the gap between it and the national average.

Business Base – The nature of the business base will be a big driver for Northumberland, the decline of traditional industries will put pressure on the area's ability to expand into high growth sectors such as services and transport and communications. Key to this shift in the nature of the business base is business creation, which is still low relative to the national average. The county must strive to support new business formation, particularly in high growth, high value added sectors. It is also important that the existing business stock is supported as companies look to expand, promoting innovation and R&D. The impact of emerging economies was also high on the group's list of concerns. They felt that the cost advantage that the developing economies enjoy would continue to erode traditional industry in the county and eventually countries such as China and India would look to expand into higher value added sectors. On the positive side, the emerging economies are creating a larger consumer market, which the county could benefit from if it positions itself well. Northumberland businesses must come to terms with the fact that they now operate in a global marketplace and focus on competitiveness and the needs of the consumer.

3. Economic Assessment Priorities

Each participant was also asked to identify three points which they would like to be addressed in the upcoming Northumberland Economic Assessment. Several key issues emerged from this exercise; a summary of the results and main themes is shown below.

Context – In order to understand where we are going in the future we must be aware of our past and present situations. This includes knowledge of the current baseline, a clear view of the gaps in the local economy and an analysis of what policy initiatives have been used before and what their impact has been. If we are able to create a clear view of these issues then we can identify where the unique selling point of the advantages and disadvantages that the area faces, relative to the regional, national and international economy. This section should also look at the county in the context of the other regional and national initiatives which are currently operating, such as the Northern Way City-Region project.

Skills – Once again it is important to understand the gaps in this area, where do we perform well and where do we need to improve? Once we have established this it is also

important to analyse the difficulties we may face when it comes to developing our workforce. Information is required on areas such as NEET individuals, attitudes and the types of training available (from age 14+). It is also important to consider the added costs and difficulties associated with delivering training and developing the skills base in geographically distributed county with a large rural community. It would also be helpful to include information on the input of local universities and the business community on the skills agenda and what their potential role could be in the future.

Population – Outward migration of young people has become a major issue for the county, as such it is important to understand the reasons that this occurs, the effect that this is having and how it could impact Northumberland's future prosperity. Developing a clearer picture of the region's demography, including who generates wealth and how the population spends, could help us to identify opportunities for the future.

Business Base – The first step in this area is to establish just how big the business base is, this means developing statistics which do not rely simply on VAT registrations. This should be complemented by projections, based on current trends, for each small sector. This would help us to identify growth sectors and establish where there may be opportunities for the county in the future, as well as highlighting sectors which may be declining and in need of some form of assistance to smooth the transition. The statistical information in the assessment must be complemented by significant private sector input. By consulting with those 'on-the-ground' the county stands a much better chance of both reaching an agreed vision of the future and identifying new market opportunities. This consultation would also allow policy makers to create a support sector relevant to the needs of local business. The group identified the knowledge intensive sector as one which the county should explore, along with the idea of trying to establish how the various sectors are linked.

Employment – This issue links in with both the skills and business base issues. The county must assemble detailed information on the current job market and begin to identify where the future opportunities will emerge.

Policy – Any document that looks to the future must include details of who will drive the new agenda. This leadership must be representative of private, public and voluntary sectors in order to ensure full buy-in from across the county. The assessment should include details of how Northumberland's strategies link into its near neighbours and the wider agenda. In particular, what is the link with Tyne & Wear and how do we fit into the City-Region agenda? By establishing these linkages the county will be at less risk of isolation and better positioned to build regional, national and international relationships. The policies that are developed should avoid duplicating the work of other organisations, coordination between groups of stakeholder is essential if the county is to tackle important issues such as business creation, social exclusion and inward investment in a cost effective way.

Emerging Drivers of Significance to Northumberland – This theme was split into four emerging trends:

- **Environment:** This represents a major growth sector worldwide. As consumers become more eco-friendly and increasingly aware of their own contribution to issues such as climate change and resource consumption, there are significant new markets opening up. If the county is able to position itself correctly, Northumberland could potentially benefit from this trend, especially given its natural infrastructure and resources.
- **Lifestyles:** Happiness and quality of life are increasingly important factors in determining where a business sets up, or where a person chooses to live. Once again

Northumberland's natural resources and strong quality of life figures could help it to develop a competitive advantage in this area.

- **Emerging Economies:** Northumberland needs to consider what its comparative advantage in the face of increased competition and opportunities from emerging economies such as China, India and Brazil.
- **Growth Sectors:** If Northumberland is able to identify emerging sectors and markets which have high potential for growth, it can focus its efforts on building the county's capacity in these areas, helping to create future growth.

Methodology – The group made number of points on how they would like the County Council to approach the assessment, they felt that this document should represent a concrete view of the future which should be referenced as we move into the future, rather than simply being discarded when there is a slight change in the external environment. In order for the document to meet these requirements it must contain a degree of flexibility so it is able to adapt to future change without becoming dated or irrelevant. The document should also address a number of key issues, such as how can different sectors (e.g. educational institutions and private business) contribute to the strategy.

4. Next Steps

The exercises completed by the group will help to place Northumberland in its correct regional, national and global context; this information can then be used to develop scenarios for the future of the county which will act as flexible environments in which to test future policy decisions. As mentioned previously, the ultimate aim of this process is to add value to the upcoming Economic Assessment of Northumberland, the information gathered at this event will form basis of the information which is included in the final document.

Northumberland Futures Workshop, 24 January 2008

Attendance List

Ailsa Coverdale	CMBC
Alan Robson	NCC
Andrew Cartwright	GONE
Andrew Hunt	Durham University
Bill Tarbit	Blyth Valley Borough Council
Cameron Scott	Tynedale DC
David Lodge	Greater Morpeth Development Trust
David McFarlane	Future Matters
Dee Stephenson	NSP
Graham Adams	NCC
Ian Jones	LSC
Jeff McCloud	Alnwick DC
Joanne Lavender	NECC
John Hamilton	NCC
Jon Carling	NERIP
Julie Dowson	NCC
Julie Sloan	Hadrian's Wall Heritage
Kathryn McMaster	SENNTRi
Lauren Widdrington	NCC
Nigel Brough	ONS
Phil Hanmer	NCC
Phil Shakeshaft	Future Matters
Ray Browning	Wansbeck DC
Rob Strettle	NSP
Sally Weir	Connexions
Sandra Brydon	NCC
Tom Warburton	ONE
Tony Gates	NNPA
Will Haywood	ONE

Presentation by Andrew Hunt, Durham University

http://www.northumberlandinfolnet.org.uk/EconomicAssessment/documents/Inserts/ScopingTheNorthumberlandEconomy24_01_08.pdf

Presentation by Phil Shakeshaft, Future Matters

This can be accessed by following this link:

<http://www.nsp.org.uk/EconomicAssessment>

