

# Newcastle

## - a working city

A consultation on how we can best create **growth** and **opportunity** in tough times



December 2011

let's talk  
Newcastle

Newcastle  
City Council 

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## Foreword by Councillor Nick Forbes, Leader of Newcastle City Council

As a city, we have great growth potential and ambition. We are determined to be open for business, and do all we can to create the best conditions for new jobs and investment. But we also know that economic growth is a means to an end, not an end in itself. We must support an economy that embraces the commercial opportunities presented by low-carbon technologies and create opportunities for the many and not the few. Above all, we strive for a fairer economy and society, reducing poverty and bringing wealth and jobs into communities which in the past have been left behind. We must also work to achieve greater independence and confidence in our City's economy, encouraging individual investment in local small businesses in an attempt to ensure that more decisions that affect Newcastle are made in Newcastle.

Our plans for the City are ambitious. But we also need to be pragmatic and delivery-focussed, aware that some objectives will be challenging to implement, whilst standing ready to respond to new opportunities. In some cases, we will require substantial input or approval from central Government. We know that our ambitions will be harder to achieve in the short-term because of the twin dangers of a sluggish national economy and public spending cuts, which disproportionately impact on Newcastle and the North East. While lobbying Government to protect the interests of the region, we will have to respond with dynamic solutions of our own, working with partners to build on the considerable assets we have as a successful European city with a strong foothold in the new, knowledge-led, global economy.

This paper is about the City, not just the Council. Newcastle City Council has identified "A Working City" as one of its top priorities. Through our programme of community involvement – Let's Talk Newcastle – we've heard the strong voice of our residents, calling for greater emphasis on jobs and investment; particularly for the next generation. We also know that the levers available to the Council are limited, and in the end it will be the people and businesses of Newcastle and the North East that will determine success.

We want to hear your views: as a resident, a worker, a business, a visitor, in or outside Newcastle. Does Newcastle have in place the strongest possible basis for new jobs and investment? What more can be done to come through the recession, to build a better, fairer and stronger economy into the future? After hearing your input, we will set out firm proposals, alongside our budget for next year.

*Nick Forbes*

Cllr Nick Forbes  
Leader of the Council



"We are determined to be open for business, and do all we can to create the best conditions for new jobs and investment."



We need to strengthen our regional economy, responding to the loss of our Regional Development Agency, with a new partnership between local government, business and education.

## Executive summary

Newcastle has made a long journey, from a centre of the industrial economy in the 19th and early 20th century, through a protracted transition, to the new and diverse economy of today. The people of Newcastle are painfully familiar with the damaging effects that recession and long-term unemployment inflict on communities and families. But there is also optimism that this city can buck the trend, and help to lead North East England out of recession and into sustainable growth.

This paper builds on the 20-year economic vision for the City developed jointly with Gateshead Council, the business community and other stakeholders in the 1PLAN. This highlights the importance of:

- Growing the knowledge economy, including through the promotion of science, technology and innovation;
- Developing the skills needed for the city to compete in an increasingly global economy;
- Ensuring continued investment in the urban core, where firms benefit from a range of business services, proximity to markets and the widest possible labour force; and
- Ensuring environmentally sustainable regeneration, with a focus on accessibility and all residents being able to benefit from the City's economic success.

Positive progress has been made in the City. Some of the key investment opportunities are now being delivered, including Science Central and the redevelopment of Scotswood. New manufacturing jobs in the marine and offshore energy sector are being created on the banks of the Tyne. Our business base is strong and working to create its own solutions; for example through the biggest and most successful Business Improvement District in the country, NE1. The commitments made by Virgin Money to build their business from Newcastle gives renewed impetus to the City's role as a centre for financial and business services. With Gateshead, we have transformed the visitor economy. We are also working with partners across the North East region, including the North Eastern Local Enterprise Partnership (NELEP), on issues extending from transport and strategic infrastructure to stimulating growth through our Enterprise Zone.

The Council will set up a new inward investment or 'business winning' team with Gateshead Council. It will be hosted by NewcastleGateshead Initiative (NGI) and will clarify the Newcastle and Gateshead offer to potential investors, working with the NELEP and UKTI to ensure that the business winning system is joined up over a wider geography.

But there are also challenges and unexploited opportunities. We need to do more to help young people entering the labour market for the first time. We need to re-ignite stalled development, do more to make Newcastle and Gateshead an attractive destination for new private sector investment and promote these opportunities world-wide. We need to strengthen our regional economy, responding to the loss of our Regional Development Agency, through the work of the NELEP.

The economy and physical layout of the City will not be changed overnight. In the next five years, we expect to see significant development at Science Central, stimulated by commitments already made by Newcastle University and the Council, and followed by extensive private sector investment. At the same time, we will see a transformation to the central station area, providing a fitting gateway to the City and the region, and prestigious new commercial opportunities. The following wave of major development will be at East Pilgrim Street, with the realisation of a substantial office and retail scheme.

With Gateshead, the Council has developed an innovative proposition which will accelerate progress on these key development sites. This is based upon using 'Tax Incremental Finance' – using future business rates receipts to fund necessary up-front infrastructure investment. Over the next 25 years, we expect this to create around 20,000 permanent jobs, through new office, retail, university and leisure development.

**We identify the following proposed actions by the Council:**

**1. Making the City open for business:**

- Provide leadership – through the Leader of the Council and Cabinet Members – and promote the City.
- Develop a strengthened programme of engagement with businesses and seek advice from an 'Entrepreneur in Residence'.
- Support the introduction of the Government's new business support arrangements, whilst launching Enterprising Newcastle to promote enterprise in deprived communities.
- Help SMEs improve their access to contracts, through a new Fair Procurement policy.

**2. Attracting greater levels of inward investment:**

- Introduce a new inward investment and business winning function across Newcastle and Gateshead.
- Develop a prominent role for a new network of influential ambassadors, able to help to "open doors" with targeted investors and key decision makers.
- Stimulate development in our city centre through the creation of an Accelerated Development Zone.

**3. Supporting economic growth through innovation:**

- Promote Newcastle as a Science City, building on the world class expertise within our universities and NHS.
- Support growth of the marine and offshore cluster on the Tyne.

**4. Meeting skill needs:**

- Ensure that the improvement in educational attainment in the City continues, striving to be in the top quartile across all the country.
- Support the development of vocational skills, with the Council leading by example by increasing the number of apprentices we take on and maintaining the quality and diversity of the apprenticeships on offer.
- Support the transition from welfare to work that pays a fair wage, with Newcastle's Living Wage Commission set to recommend a wage level which offers a permanent route out of poverty.





- Ensure that the Work Programme a success in the City, whilst supporting Newcastle Futures and other VCS organisations to provide intensive 1-2-1 help to other residents who face significant barriers to work.

### **5. Empowering the business community to drive forward economic growth:**

- Promote the leadership role of the business community, helping deliver initiatives led and funded by business.
- Work with partners in the business community, and across the public sector, to respond to the abolition of One North East and to make a success of the Local Enterprise Partnership.

### **6. Supporting growth across the wider region:**

- Work across the region and beyond to enhance our transport networks, including new investment in the East Coast mainline and to address congestion on the A1 Western Bypass.
- Build on the successful Gateshead and Newcastle Partnership.
- Support the development of a transatlantic route from Newcastle International Airport.
- Lobby central government to ensure that Newcastle International Airport is not disadvantaged by unfair competition from other airports, or by changes in national taxes and regulations.

### **We look forward to receiving your views on the following issues:**

1. How can the Council make its regulatory, planning and procurement functions more responsive to the needs of businesses?
2. In addition to the activities outlined in this paper, what other priorities are there for promoting private sector growth?
3. How can existing businesses and developers maximise inward investment into the City?
4. How can the public sector ensure that businesses benefit from the Science City initiative and support innovation in other areas?
5. What is the best way to ensure that employers' skill needs are communicated to children and young people?
6. What demand is there for the setting up of Social Investment Bonds and Local Impact Bonds?
7. What is the best way to make it easier for companies and individuals to get involved in the social and economic regeneration of the City?
8. How best can businesses contribute to the work of the Local Enterprise Partnership?

## Chapter 1: Newcastle's economy in 2011, and rising to the growth challenge


### A stalled recovery...

Newcastle, like the rest of the country, is experiencing only a modest recovery from a deep recession, the most severe in the UK for over 70 years. The risk of a 'double-dip' recession has increased, and Government borrowing projections have been revised upwards. Banks and businesses lack confidence in the future economy and as a result are reluctant to invest. The price of property remains well below its peak. The Council is also experiencing many of the financial pressures facing businesses at present, needing to find £30million of savings during 2012/13.

The recession has been accompanied by a significant increase in unemployment. Between October 2007 and October 2011, the number of people receiving unemployment benefits increased by 3,713 – out of a total working age population of 205,000. The impact of the downturn has been particularly pronounced in the most deprived communities.

Whilst low consumer demand and constrained finance is affecting many businesses, there have also been a number of positive developments:

- Over the past year, private sector investments totalling more than £80million on the North Bank of the Tyne at Walker Riverside have been agreed. When complete, these will have directly led to 500 new jobs, with the potential for many more in the supply chain.
- In Autumn 2011, BskyB took up 40,000 sqft of prime office accommodation at Wellbar Central, creating 400 jobs.
- Siemens recently launched their national Energy Service Training Centre in Newcastle – an £8 million investment which will help train around 1000 people each year.
- Despite the recession, one hotel (Sandman at Gallowgate) has just opened and another (Sleeperz, near the Central Station) is opening soon. These are complemented by additional new hotel developments in Gateshead.
- The large St Andrews Way extension to Eldon Square was finished in 2010, completely pre-let; the good occupancy rate is in stark contrast to the much more mixed fortunes of other new shopping centres across the country. This has created a significant number of new retail jobs, including the new Apple Store.
- The 'Alive-after-five' campaign has led to a significant increase in city centre shoppers.
- The conversion of the Toffee Factory in Ouseburn into high quality space for creative industries, with demand for units strong.
- The Marine Management Organisation (MMO) relocated to Newcastle, creating 140 jobs and the Care Quality Commission 200 jobs.
- Hoult's Yard has been successful in attracting more than 40 media and digital companies in recent years – including Silverbean, Mere Mortals and Yipp Media.
- Virgin Money has purchased Northern Rock and committed to making Newcastle its operational HQ.
- There have also been some significant investments close to Newcastle, including a major call centre by Tesco Bank (1000 jobs) at Cobalt.



Whilst low consumer demand and constrained finance is affecting many businesses, there have also been a number of positive developments.



Private sector employment in Newcastle increased by more than in any other major city apart from London.

The recession followed an extensive period of uninterrupted economic growth in the UK. In the decade prior to the recession, private sector jobs in Newcastle increased by 13,000. This was more quickly than in any other major English city outside of London. Newcastle has proved to be an engine of growth for the wider region, led by business services and 'tourism-related' jobs, and spurred on by the cultural regeneration of the city. Public sector jobs increased by 9,000. Manufacturing continued to decline during the 1990s, before stabilising more recently at around 5-6% of jobs with a strong growth of high value activity, including in the marine and offshore sector.

A strong economy was accompanied by population growth, with numbers increasing by 10% over the past decade due to inward migration, a reduction in outflows of workers and recent graduates, together with increases in the birth rate and life expectancy.

### ... with further short-term headwinds

We are well aware of the prognosis from the Bank of England and other forecasters that UK economic growth in the next year or two will be sluggish. Most expect unemployment to continue to rise and a double-dip recession is a strong possibility. In Newcastle and the North East, we are witnessing the local impact of national and world events:

- Although the North East has the strongest export performance of any region in the UK, our ability to benefit from an export-led recovery is held back by the ongoing Eurozone crisis.
- As a city with a strong public sector, we are facing a disproportionate impact from the Government's austerity measures.
- The lack of finance for investment – in both the public and private sectors – risks damaging our future growth prospects. Commercial property development has slowed in the City. Like the rest of the country, there is little prospect of speculative development, despite low levels of new Grade A vacant property.
- As a city with a high proportion of residents on low wages, or vulnerable to unemployment, the Government's programme of changes to the welfare system will have a significant impact.

But there are good reasons to be positive about the medium and longer-term outlook, including:

- Strong growth prior to the recession;
- In contrast to our experience of previous economic downturns, the impact of the current recession in Newcastle has been similar to the average across the UK;
- Continued investment in the city, even during the recession;
- Good 'economic assets', and a city which offers a good quality of life;
- Strong opportunities in key growth sectors;
- Identified projects in the pipeline which will deliver growth; and
- Improved skills and education, on the back of investment in schools, colleges and universities.

**... as a city with strong 'economic assets'**

Newcastle is the primary commercial, administrative, retail and cultural hub in the North East. Firms can draw from around 1 million potential employees within 30 minutes of the city centre. They also benefit from existing supply chains and a comprehensive range of professional business services. Greater business density increases competition and opportunities for collaboration, driving on productivity.

Newcastle is rapidly becoming a high-skill economy, with a greater than average proportion of pupils progressing into post-16 education. The City has two world-class universities, undertaking excellent research, attracting tens of thousands of students and retaining many of them to work in the region. Newcastle College is one of the biggest FE institutions in the country and a provider of degree courses and higher-level apprenticeships.

The City is also a cost effective location for businesses, with the cost of Grade A office accommodation below comparable prime locations in most other major UK cities.

Newcastle is well connected. In addition to an efficient public transport system, based around a metro system, it has strong global and national connections. Newcastle International Airport offers direct flights to Heathrow, Dubai, Amsterdam, Brussels, Dublin, Paris and over 65 other destinations. Mainline rail connects to London in two and three quarter hours. The A1 links the City to the motorway network.

The City's outstanding quality of life is supported by a vibrant cultural offer, cosmopolitan nightlife, high quality retail, and the hosting of international sporting events. It offers a wealth of history and heritage, providing easy access to two World Heritage Sites – the Roman Wall and Durham Cathedral – and an outstanding coast line.

These assets have helped make Newcastle a centre of the knowledge economy. Between 1995 and 2005, 12 new jobs in the UK were created in knowledge intensive services for every one new job created in other industries. By 2007, nearly half of all UK employment was in knowledge-intensive service industries, up from about a quarter in the 1970s.

**... good opportunities in key growth sectors**

Newcastle is fortunate in having sectoral strengths in key growth areas, including a range of knowledge-intensive professional services, new opportunities associated with science, innovation and the offshore wind sector and a strong tourism economy.

We also have significant city centre development opportunities, including:

- **Science Central** - a 10.9 ha site in the heart of Newcastle which will offer opportunities for businesses to co-locate with Newcastle University, utilising its world-class research strengths to generate new opportunities in the areas of science and innovation. It will also provide new high quality housing and public space, with an emphasis on environmental sustainability. Tests are being conducted on opportunities to utilise geothermal energy from a 2000m borehole to heat the site, which would be unique in a city centre.



Newcastle is fortunate in having sectoral strengths in key growth areas, placing the City in a good position to contribute to the global and national economy.



If agreed by Government, our Accelerated Development Zone will transform our city centre, strengthening the existing business base and providing new investment opportunities.

- **Stephenson Quarter and Central Station** - a development-ready 11.3 ha site providing a major regeneration opportunity to deliver office-led development and regeneration of historic assets. It is an important gateway to the North East and well placed to enhance the experience of arrival by rail into the City, through substantial improvements to connectivity and public realm around the station area.
- **East Pilgrim Street** - a 7.9 ha area at the heart of Newcastle which is likely to be developed over a slightly longer timescale. It offers the potential to deliver a distinctive large scale new mixed use development quarter of the city centre, expanding the central business district.

With Gateshead, Newcastle has developed a joint proposal to Government to speed up development in these areas (along with Gateshead Quays and Baltic Business Quarter). Our 'Accelerated Development Zone' (ADZ) is centred on using Tax Incremental Financing (TIF) to tackle current market failures and barriers to growth on our major development sites. If agreed by Government, it will transform our city centre, strengthening the existing business base and providing new investment opportunities.

TIF works by using future business rate receipts generated as a result of new development to cover the funding costs of the necessary up-front infrastructure. Government has signalled a strong commitment to TIF projects, which have been used for a number of years by US cities. In today's financial environment, it is unrealistic to expect the private sector to absorb significant upfront infrastructure costs: without TIF, city centre sites would take many years to reach their potential.

Development is assumed to be phased over 25 years and, on the basis of our cautious assumptions, the proposed ADZ will deliver around 300,000 square metres of office development, and support new university accommodation, hotels and retail space. We estimate that its net impact will be to create around 20,000 additional permanent jobs across Newcastle and Gateshead, together with an uplift in annual GVA of about £700million, providing a range of wider economic and social benefits to the North East region. Approval of the ADZ proposal will also result in early, highly visible, progress: cranes on the ground before the end of 2012; hundreds of construction jobs; and ensuring that the property market is able to support the economic upturn.

The Council is also keen to explore other new and emerging financial tools and instruments that could help accelerate growth, including, but not limited to, municipal bonds, European funds and innovative public private partnerships, whilst considering how we can make the most of our assets to generate income and to minimise risk.

## Chapter 2: A City open for business

We believe there is the opportunity to build on Newcastle's outstanding assets to increase our reputation as a city which is clearly open for business. We want to be renowned for our strong business support and professional services; a high-quality and vibrant city-centre environment; the diversity of our property offer; and a Council which is recognised as pro-business.

For Newcastle to have a flourishing economy, firms and potential entrepreneurs need to have access to high quality support, advice and professional services. Businesses have access to the slimmed-down national publicly-funded business support; including the Business Link website, the Business Coaching for Growth initiative, and specialist support from the Manufacturing Advisory Service. But Newcastle's additional strengths reside in the support offered by the professional services sector, strong business representative organisations, informal networks, the education sector and a thriving voluntary and community sector.

However, Newcastle suffers from levels of business start up which are only two-thirds of the national average, and we need to improve this record. We need to ensure that the fastest growing businesses receive the support they need to thrive in the City: NESTA (the National Endowment for Science Technology and the Arts) recently found that the 6 per cent of UK businesses with the highest growth rates generated half of all the new jobs created by existing businesses between 2002 and 2008. We will use the Central Library as an asset for those seeking support and advice, for example by enabling access to intellectual property databases, and as a venue for events. We also want to ensure that businesses receive the support they need to reduce their carbon emissions and lower energy bills.

Rates of entrepreneurship are particularly low in some of our most deprived communities. Increasing the number of smaller community-based businesses and social enterprises provides employment opportunities and supports our wider regeneration objectives. We do not believe that national business support will meet these needs and the Council will fund a programme of pre-start up and start-up support through the new 'Enterprising Newcastle' programme, whilst investing in our community teams to strengthen linkages between businesses and the Council.

The Leader of the Council will seek advice on a regular basis from an 'Entrepreneur in Residence', helping to ensure that the conditions to encourage start-ups and innovation are nurtured.

The Council is committed to being business friendly. This means ensuring that we provide high-quality services for businesses, with regulatory and planning functions responsive to differing needs and reducing red tape where possible. We want to build on progress, and for our regulatory services to be recognised for promoting rather than restraining growth.

### Consultation question:

1. How can the Council make its regulatory, planning and procurement functions more responsive to the needs of businesses?

The Council will also implement a fair procurement strategy. This will ensure that expenditure on goods and services contributes to our key strategic objectives.



We want to be renowned for our strong business support and professional services; a high-quality and vibrant city-centre environment; the diversity of our property offer; and a Council which is recognised as pro-business.



The Leader of the Council will seek advice on a regular basis from an 'Entrepreneur in Residence', helping to ensure that the conditions to encourage start-ups and innovation are nurtured.

For example, we intend to better-recognise the efforts of many firms to provide additional training and apprenticeship opportunities for young people.

The external environment has a significant impact on the attractiveness of the City as a location for business. Newcastle benefits from having the biggest and most innovative Business Improvement District in the country, NE1. Recent projects include the 'Pocket Parks' initiative, street-rangers, a bike-hire scheme and the 'Alive-after-five' campaign, which has led to a significant increase in footfall in the city centre. These projects are important to the health of the commercial sector, improve the transition from the daytime to the night time economy through offering greater variety, and help to attract and retain skilled workers and prestigious clients.

We need to ensure that the property requirements of a range of different businesses are met. This includes the needs of new and move-on companies; not always an attractive proposition for private developers. We also believe that there are advantages in enabling clusters to develop at a very local level, encouraging interactions and potential for collaboration.

### Consultation question:

2. In addition to the activities outlined in this paper, what other priorities are there for promoting private sector growth?

### Proposed actions by the Council:

- Provide leadership – through the Leader of the Council and Cabinet Members – and promote the City.
- Develop a strengthened programme of engagement with businesses and seek advice from an 'Entrepreneur in Residence'.
- Support the introduction of the Government's new business support arrangements, whilst launching Enterprising Newcastle to promote enterprise in deprived communities.
- Help SMEs improve their access to contracts, through a new Fair Procurement policy.

## Chapter 3: Attracting inward investment

Our City needs an effective and streamlined system for attracting new businesses. New arrivals directly strengthen the private sector and create employment opportunities, provide supply chain opportunities for existing companies and encourage innovation and increased competitiveness.

With Gateshead Council, we have agreed to set up a new inward investment, or 'business winning', service by April 2012. This will clarify and promote the Newcastle and Gateshead offer, undertaking selective marketing alongside proactive targeting of businesses where there is a realistic prospect of them relocating or expanding into the area. Priority sectors will be targeted, including the offshore renewables sector, science, health and innovation-led businesses and potential back office relocations from London and the South East. With Newcastle already having major financial institutions, and being at the centre of the UK's low carbon economy, we are making a strong case for the Green Investment Bank to be located in the City. The business winning service will be complemented by strong aftercare for investors, ensuring that their needs are met and encouraging the development of local supply chains. It will complement our plans to accelerate physical investment in the City through an Accelerated Development Zone, discussed in chapter 1.

The activity will be supported by a small new team hosted by NewcastleGateshead Initiative (NGI), utilising their marketing and communications skills, the NewcastleGateshead brand and their business and media contacts. They will also work with the NELEP and UKTI, ensuring that the business winning system is joined up over a wider geography.

The private sector contribution to business winning is vital. Most business investment decisions do not involve the public sector, while Newcastle's draw may be the presence of a local supply chain.

With Gateshead Council, we have agreed to set up a new inward investment, or 'business winning' service, by April 2012.

### Consultation question:

#### 3. How can existing businesses and developers maximise inward investment into the City?

Complementing the work of the Business Winning Team, a new 'Business Development Commission' will be formed, consisting of a network of high-profile ambassadors. These will be kept well informed about opportunities, enabling them to advocate Newcastle and Gateshead through their networks, make introductions and facilitate access to key decision makers.

### Proposed actions by the Council:

- Introduce a new inward investment and business winning function across Newcastle and Gateshead.
- Develop a prominent role for a new network of influential ambassadors, able to help to "open doors" with targeted investors and key decision makers.
- Stimulate development in our city centre through the creation of an Accelerated Development Zone.

## Chapter 4: Supporting innovation

Over the last few decades Newcastle's economy has undergone a fundamental structural change, emerging to compete on the basis of skills, knowledge and expertise. Our vision is for Newcastle to build on these strengths and to again become renowned for science, technology and innovation, recognised as one of the top five areas in Europe for offshore manufacturing and supply.

The universities and Newcastle upon Tyne NHS Foundation Trust are central to driving forward innovation in the City, providing opportunities for collaboration with businesses and the development of new products, processes, intellectual property and spin outs.

The Council and Newcastle University have reaffirmed their commitment to Newcastle Science City (NSC). This initiative is responsible for driving forward the economic benefits from the University's acknowledged scientific excellence in Ageing and Health, Sustainability, and Stem Cells and Regenerative Medicine. This includes encouraging the development and interaction of innovations and ideas, building on the successful "First Fridays" network and supporting science-related businesses across the City and the wider region. NSC will also help coordinate the programme of engagement with communities and young people to promote science and engineering; with strong links to schools and to outreach organisations. And it provides exciting opportunities to link economic and social objectives: for example, NSC, the Council and the private sector are jointly considering the opportunities from, and requirements of, an ageing society.

### Consultation question:

#### 4. How can the public sector ensure that businesses benefit from the Science City initiative and support innovation in other areas?

There is also significant private-sector led manufacturing innovation in Newcastle, including on the North Bank of the Tyne. The strength of this world-class cluster has been built on our industrial legacy, providing us with sites, enabling infrastructure and skills. It benefits from critical mass, with companies sharing facilities, supply chains and skills requirements. The Council actively supports this sector and has recently committed to upgrading the heavy-lift crane. The sector also benefits from key innovation assets, including Narec and the marine, sustainability and transport expertise located at Newcastle University.

The marine and offshore sector in Newcastle is buoyant – with £80million of private sector investment agreed this year – and there are further growth opportunities arising from the UK's offshore wind programme. Proximity to the Dogger Bank offshore wind site make Tyneside ideally placed for manufacturing equipment and providing services. The growth opportunities have led Government to designate Tyneside as one of five Centres for Offshore Renewable Engineering, whilst the NELEP's Enterprise Zone includes the Neptune Yard and the adjacent Swan Hunters site.

### Proposed actions by the Council:

- Promote Newcastle as a Science City, building on the world class expertise within our universities and NHS.
- Support growth of the marine and offshore cluster on the Tyne.



Our vision is for Newcastle to build on these strengths and to again become renowned for science, technology and innovation.

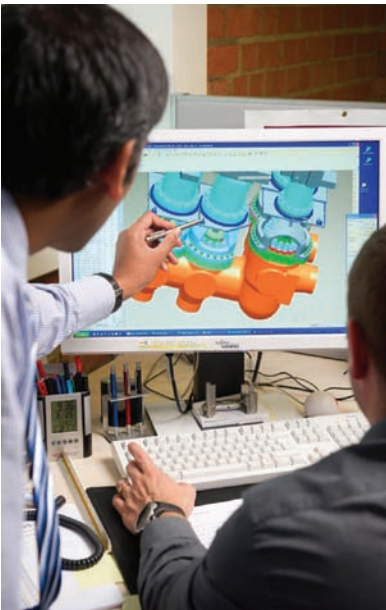
## Chapter 5: Meeting skill needs

It is vital to individuals' job prospects, and the strength of Newcastle's future economy, that residents develop the knowledge, qualifications and employability skills necessary for success in the jobs market. We must build on our strong education institutions to ensure that current and emerging skill needs are met, and that a strong skills base promotes the growth of our key sectors.

There is a strong correlation between qualifications and individual labour market outcome. Skills are also vital to economic growth, often cited by inward investors as the number one location factor. Educational attainment has improved sharply in the City in recent years, on many measures reaching the national average.

Despite the increase in unemployment during the recession, employers in some of our key sectors cite skill shortages as a constraint on growth. Employability skills are also frequently cited as a barrier. The 14-19 Review of Education in the City is seeking to address these issues, while there are good opportunities for adults to improve their skills, including through courses run by Newcastle City Learning and Newcastle College.

The Government's changes to the skills system place a premium on high quality and accessible information in making sure that children and young people, and education institutions, make the right choices. It is vitally important that negative publicity about the economic outlook, and concerns about the cost of university education, do not lead to children and young people reducing their aspirations and disengaging from education. Working in partnership with business representative organisations and education institutions, the Council will work with employers to ensure that their needs are understood.



The North East is at the centre of the low carbon industry in the UK.

### Consultation question:

**5. What is the best way to ensure that employers' skill needs are communicated to children and young people?**

The Government's recent Wolf Review was highly critical of standards of vocational education across the country. Newcastle is fortunate in having strong vocational learning opportunities – including through schools, Newcastle College, Newcastle City Learning and UXL – although there remains a lack of awareness about the opportunities these courses can bring. We must continually ensure that our vocational offer meets the needs of employers and offers real employability gains to learners. As one of the largest universities in the country, Northumbria University provides a number of vocationally orientated courses, including at the highly rated schools of Law, Design and Health. Recent positive developments in the City include Newcastle College's Renewable Energies Academy, and the forthcoming University Technical College.

Apprenticeships have long been recognised as the premier employment-routeway in construction and manufacturing and are also becoming increasingly recognised across a wider range of disciplines. Although demand outstrips supply, Newcastle has had relatively good apprenticeship numbers, benefiting from a number of successful long-running schemes and new initiatives by local employers, FE institutions and the Journal's '100 in 100' campaign. In November 2011, Siemens Energy Service launched their



The Council is strongly committed to increasing apprenticeship numbers across the City.

Energy Training Centre, which supports around 150 apprenticeships together with training for other employees.

The Council is strongly committed to increasing apprenticeship numbers across the City. Despite budgetary cutbacks, the Council has increased funding for its own apprenticeship scheme by £100,000, targeted towards residents in some of our most deprived neighbourhoods and involving placements amongst local SMEs. This is over and above the existing 170 apprenticeship places. We also want to work with local employers and the FE sector to address barriers to increasing apprenticeships further, whilst promoting higher level apprenticeships.

Worklessness is a significant problem within the City, with almost 14% of residents receiving out-of-work benefits. This has a significant detrimental impact on individuals, families and communities. And unemployment has been linked to a number of wider social problems, including child poverty, poor physical and mental health, crime and disorder, and unplanned pregnancies.

With Job Centre Plus, the Council has confirmed its support for Newcastle Futures, which is a direct provider of support to key client groups and helps co-ordinate employment initiatives across the Newcastle area. The Council will provide £500,000 of funding next year, with Job Centre Plus providing a similar level of in-kind commitment. The Council also recognises and provides financial support to a number of smaller VCS organisations who provide employability support to vulnerable groups. Employers also have an important role in providing extended opportunities for those who have been out of work; many find that this is rewarded through higher staff retention.

With high inflation and fuel costs, there has been an increase in levels of in-work poverty in the UK. Fair wages are essential to ensure that everyone benefits from having a job, while the Living Wage Foundation recently found that eighty percent of businesses implementing a Living Wage had found that it had enhanced the quality of the work of their staff. Newcastle's Living Wage commission will provide recommendations on an appropriate wage for the city.

### **Proposed actions by the Council:**

- Ensure that the improvement in educational attainment in the City continues, striving to be in the top quartile across all the country.
- Support the development of vocational skills, with the Council leading by example by increasing the number of apprentices we take on and maintaining the quality and diversity of the apprenticeships on offer.
- Support the transition from welfare to work that pays a fair wage, with Newcastle's Living Wage Commission set to recommend a wage level which offers a permanent route out of poverty.
- Ensure that the Work Programme is a success in the City, whilst supporting Newcastle Futures and other VCS organisations to provide intensive 1-2-1 help to other residents who face significant barriers to work.

## Chapter 6: Empowering the business community to drive forward economic growth

The sharp decline in Government funding for economic and physical development places an increased reliance on the business community to drive change. The Council wants to empower businesses to influence the strategic direction of the City and region, to make it easier for them to directly contribute to the wider development of the City and to fulfil their corporate social responsibility objectives.

Businesses have an increased leadership role to play in the new economic framework. And it is important that the wider business community is able to influence the business-led NELEP, whose priorities are:

- Supporting enterprise and private sector growth;
- Building on key economic strengths;
- Improving skills and performance; and
- Strengthening transport, connectivity and infrastructure.

In addition to active business representative organisations, Newcastle is fortunate in having strong partnerships between the public and private sector, including initiatives like Newcastle Science City, NewcastleGateshead Initiative and the Business Improvement District NE1. The Council wants to encourage this leadership role further, with stronger input to major strategic decisions, including around planning and transport.

In addition to the financial tools discussed in previous chapters, we believe there may be an opportunity for businesses and high net worth individuals to contribute financially to the development of the City. The Council is particularly interested in assessing demand for 'Social Investment Bonds' (sometimes called Social Impact Bonds), which are used to pay for work which targets the underlying causes of social problems. Although in their relative infancy nationally, these instruments have been proposed in areas such as helping reduce crime, or improving opportunities for vulnerable children. Financial returns to investors arise from evidence of improved social outcomes, which in turn lead to reduced costs for the public sector. Similarly, we are interested in the demand to set up 'Local Impact Bonds', which provide local finance for businesses.

### Consultation question:

#### 6. What demand is there for the setting up of Social Investment Bonds and Local Impact Bonds?

The Council also wants to make it easy to help companies and individuals get involved in the social and economic regeneration of the City. We are aware of the enormous efforts that individual companies put into corporate social responsibility, and the important role of organisations like Business in the Community and the Education Business Partnership. The Council does not want to replicate these roles, but it may be able to help focus – and increase overall – efforts across the City into tackling a single issue of particular social concern, like the high prevalence of child poverty.



Businesses have an increased leadership role.



The Council wants to make it easy to help companies and individuals get involved in the social and economic regeneration of the City.

**Consultation question:**

7. What is the best way to make it easier for companies and individuals to get involved in the social and economic regeneration of the City?

Alternatively, it may be possible to harness more of the talents of those people who are retiring from either the private or public sector – NESTA's 'Third Age Entrepreneurs'. Or there may be merit in the development of a single point of access to information about CSR initiatives, making it easier for firms to see how the talents of their staff could best contribute to areas as diverse as:

- Raising educational attainment;
- Raising skills levels of people in low-paid employment;
- Raising aspirations and creating opportunities for children living in poverty;
- Helping those who are not in work to get jobs;
- Helping the voluntary and community sector to be effective;
- Improving the environment; and
- Growing enterprise.

**Proposed actions by the Council:**

- Promote the leadership role of the business community, helping deliver initiatives led and funded by business.
- Work with partners in the business community, and across the public sector, to respond to the abolition of One North East and to make a success of the Local Enterprise Partnership.

## Chapter 7: Supporting growth across the wider region

Newcastle's economy is inextricably interlinked with that of the wider region, with the City receiving significant net inward commuter flows, while business supply chains and markets extend across a wide area. A strong performing city centre is therefore good for the wider region, and vice versa. The Council has a joint economic strategy with Gateshead and supports the work of the NELEP in driving forward growth in our region. This includes our role in making the low carbon Enterprise Zone a success.

### Consultation question:

#### 8. How best can businesses contribute to the work of the Local Enterprise Partnership?

To succeed in the global economy we need to maintain, improve and expand our strategic connections to other cities in the UK and beyond. One of the strongest messages that we receive from our major businesses is the importance of Newcastle International Airport to their investment decisions. It has been estimated that connectivity improvements associated with the airport in recent years have had a positive impact on the North East's total GDP of about 5%, or 13,000 additional jobs.

It is vital that Newcastle International Airport is not adversely affected by the Scottish Government using devolved powers to secure a competitive benefit for their own air connections, for example if lower Air Passenger Duty causes passengers to bypass the airport because of cheaper fares across the border. As the economic recovery picks up pace, we also want to work with Government to jointly support the development of a transatlantic route from Newcastle.

Improving our rail and motorway connections are also of vital importance. Newcastle central station is one of the most important gateways into the region, but congestion outside the station creates a barrier, increasing journey times and leading to a frustrating experience – issues which will be tackled by the Council and Network Rail over the next three years. It is also important to ensure that the North East sees substantive benefits from the proposed High Speed Rail "Y" network and the delivery of investment in the East Coast mainline. Reducing congestion on the A1 Western Bypass - the third most congested link on the national motorway and trunk network - remains a high priority.

### Proposed actions by the Council:

- Work across the region and beyond to enhance our transport networks, including new investment in the East Coast mainline and to address congestion on the A1 Western Bypass.
- Build on the successful Gateshead and Newcastle Partnership.
- Support the development of a transatlantic route from Newcastle International Airport.
- Lobby central government to ensure that Newcastle International Airport is not disadvantaged by unfair competition from other airports, or by changes in national taxes and regulations.



To succeed in the global economy we need to maintain, improve and expand our strategic connections to other cities in the UK and beyond.

## **Consultation**

We welcome your views on the issues and questions raised in this consultation document. Comments received by 15 February 2012 will be taken into account when identifying budget priorities for 2012/13.

Please sign up to the Let's Talk Newcastle website [www.letstalknewcastle.co.uk](http://www.letstalknewcastle.co.uk)  
email us at [letstalk@newcastle.gov.uk](mailto:letstalk@newcastle.gov.uk)  
or write to: **FREEPOST lets talk Newcastle.**

For more detailed queries please contact:

**Rob Hamilton**  
**Head of Economic Policy**  
**Chief Executive's Department**  
**Newcastle City Council**  
**Civic Centre**  
**Newcastle upon Tyne**  
**NE99 2BN**

**0191 277 8947**

**Email: [rob.hamilton@newcastle.gov.uk](mailto:rob.hamilton@newcastle.gov.uk)**

