

Appendix 3(a)

Skills Economy and Regeneration Scrutiny Panel Spotlight Policy Review 2013 – 2014

Diversification of the Local Economy

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1 Foreword from the Scrutiny Lead Member for Skills Economy and Regeneration

It gives me great pleasure to introduce the Skills Economy and Regeneration Scrutiny Panel's policy review into the diversification of the local economy in Sunderland.

In Sunderland, the last two decades have seen an encouraging growth in the automotive and advanced manufacturing industries. Developments have also been made in relation to the service sectors and the performance of knowledge and new technology based industries.

However, a range of challenges still face the city's economy and in order to respond to these challenges, the city will need to focus on both long standing sectors of the economy such as automotive, manufacturing and contact centres while supporting new and emerging sectors ensuring they have the necessary support and infrastructure. There is a need to protect existing jobs and attract new jobs into the city. We must also continue to exploit the potential contribution that the Port can make to the city's economy.

Diversification must also grow in other sectors such as digital, media and software. All have the potential to support further economic growth. However, it must be recognised that they are likely, in the short and medium term, to stay relatively small sectors in relation to the economy of the city as a whole.

The new business development at the Vaux site should also greatly contribute to diversification of the economy. This will not happen overnight and needs to be seen as a long term development. A new Public Square will better connect key parts of the city centre and encourage more people to live, work and spend in the city.

In conclusion, I would like to thank my colleagues on the Skills Economy and Regeneration Scrutiny Panel and all of the officers and staff involved for their hard work during the course of the review and thank them for their valuable contribution.

Councillor Tom Martin, Lead Scrutiny Member for Skills Economy and Regeneration

2 INTRODUCTION

- 2.1 During the period up until the late 1970's Sunderland was a city heavily reliant for its prosperity on the shipbuilding and coal mining industries. When these industries fell into decline, the city suffered a sharp economic downturn and a period of severe unemployment. Indeed, between 1975 and 1989 the city lost over a quarter of its jobs.
- 2.2 Since then Sunderland's economy has been transformed through the development of automotive and advanced manufacturing and financial and customer services (contact centres). However, the recent recession has highlighted the potential danger of the city's economy being too dependent on a narrow range of economic activities and the need to consolidate its economic base as well as support emerging growth sectors.
- 2.3 A key challenge for the city coming out of recession will be to continue to support the strengths in its economy, in particular manufacturing and contact centres whilst diversifying economically, attracting and developing a range of employment opportunities within the city.
- 2.4 This review therefore examines the opportunities and challenges for the city in looking to diversify the local economy. In doing so, the Panel has focused on a range of sectors highlighted in the Sunderland Economic Masterplan, including automotive and advanced manufacturing, the software sector, renewables and creative industries. The Panel has also taken the opportunity to consider the contribution of city centre regeneration and the potential development of a business and financial services sector.

3 AIM OF THE REVIEW

- 3.1 The review set out to examine the approach and progress being made in diversifying the local economy focusing on the software, creative industries and advanced manufacturing sectors.

4 TERMS OF REFERENCE

- 4.1 The Panel agreed the following terms of reference for the review:-
 - (a) The national and local factors shaping the present structure of the local economy and the role of the Economic Masterplan in promoting economic diversification;
 - (b) The main sectors and opportunities for economic diversification within the city focusing particularly on the software, creative industries and advanced manufacturing sectors;
 - (c) The challenges and obstacles facing the development of newly emerging industries and economic diversification in the city;

(d) How we can best promote the development of a more diverse local economy into the future.

5 MEMBERSHIP OF THE PANEL

- 5.1 The membership of the Skills Economy and Regeneration Scrutiny Panel consists of Councillors Tom Martin (Lead Member), Bob Price, Christine Marshall, David Snowdon, Denny Wilson, Len Lauchlan, Peter Wood and Tom Wright.

6 METHODS OF INVESTIGATION

- 6.1 The following methods of investigation were used for the review:

- (a) Desktop Research
- (b) Evidence from relevant Council officers and key stakeholders
- (c) Visit to offices of Nissan UK
- (d) Visit to Sunderland Software Centre
- (e) Visit to Evolve Business Centre, Rainton Bridge
- (f) Tour of city centre regeneration sites

7 FINDING OF REVIEW

Findings relate to the main themes raised during the Panel's investigations and evidence gathering.

7.1 Sunderland Economic Masterplan

7.1.1 As a starting point for the review, the Panel looked at the aims and objectives of the Sunderland Economic Masterplan and what it has to say about the diversification of the local economy.

7.1.2 The Economic Masterplan sets out to:-

- set the direction for the city's economy over the next 15 years;
- establish how Sunderland will earn its living and what it will look like on the ground;
- identify key actions that public, private and voluntary sector partners need to take to ensure a prosperous and sustainable future.

7.1.3 The Masterplan proposes that to become more prosperous, Sunderland must focus on a number of important key economic sectors and on the city centre. To achieve this it must make more of its key assets:-

- Nissan, to exploit electric vehicle technology and become a world leader in producing electric vehicles;
- The University of Sunderland to redefine the city as a place where knowledge is a part of the way of life;
- the Port to enable the development of the renewables sector;
- using specific development sites to create a new area for development in the city centre, more retail sites and an electric vehicle industry.

7.1.4 The key challenges within the Masterplan are:-

- the City Centre is underpowered as an economic driver;
- there is a too narrow range of industries, career opportunities and well paid jobs;
- the city has been better at attracting international companies than local growth;
- Sunderland is a City with a University but not a University City;
- the city has a prevalence of low skills;
- there is limited housing choice.

7.1.5 The Economic Masterplan refers to a number of key sectors of the economy which represent the main opportunities for diversification based upon the existing strengths and weaknesses of the local economy. These priority sectors are:-

- Software
- Creative Industries
- Low Carbon Vehicles/Advance Manufacturing

- Port/Renewables

7.1.6 As part of the review, the Panel has also taken the opportunity to consider the potential contribution of city centre regeneration and the emergence of a business and financial services sector to the growth and diversification of the local economy.

7.2. Software

Background

7.2.1 The Panel considered the work going on to develop the software industry in the city and met with David Dunn (Chief Executive Officer of Sunderland Software City) to discuss the development of the Sunderland Software City Strategy 2020 for growth and the Sunderland Software City Project

7.2.2 The development of the Sunderland Software City project began in 2007 with the aim of promoting enterprise, innovation and technological growth. The project has sought to take advantage of the global growth in the software industry and exploit the assets that make Sunderland an attractive location; including high-quality sites and premises and excellent telecommunications connectivity.

7.2.3 Sunderland Software City is a partnership initiative of Sunderland Council, the University of Sunderland, the private sector and the North East Business Innovation Centre (NE-BIC). This partnership is supported by a project management team and steering group.

7.2.4 It is estimated that there are currently 140 companies operating in the city's software sector in Sunderland, employing around 850 employees and generating £29m in revenue. This represents around 10% of software companies operating in the region. Most are smaller companies and the number and size of these firms are growing.

7.2.5 While the software industry is currently a small sector in terms of turnover and employment there do exist real opportunities for growth. The sector is associated with relatively well paid jobs, good future job prospects and a rapidly expanding national and international market.

7.2.6 It was emphasised that the impact of the software sector cannot be looked at in isolation contributing as it does to the success of other sectors such as creative, media and manufacturing.

Challenges

7.2.7 A key challenge facing the sector is to ensure that there are a sufficient number of skilled young people entering the sector. The software businesses in the city have developed a close relationship with University of Sunderland and this relationship continues to develop. Software City also does a lot of

work with schools aimed at boosting the image of the software sector and dispelling the myth that there are few opportunities in the sector.

7.2.8 Another major challenge facing the sector is to continue to develop the city's reputation as an attractive software location. A good deal of work has gone into supporting this and there have been a number of major successes. These include:-

- Sunderland was a co-founder and one of only 16 areas invited to join the UK Technology & Business Cluster Summit;
- The launch of the Sunderland Software City Strategy 2020 for growth at the first UK Tech & Business Cluster Summit. The event brought together invited leaders and representatives from key technology clusters from around the country to discuss the challenges facing the industry and opportunities to facilitate greater cooperation across the UK's technology community;
- Sunderland is the home to the first Digital Connected Economy Catapult joint project. The project offers Sunderland companies unique access to Met Office data;
- The Integrated Transport and Weather Information Pilot (ITWIP) aims to explore - in the context of Sunderland and neighbouring urban areas - the potential of integrating accurate weather forecast information with other data sources in an urban transport and logistics scenario;
- Sunderland is leading the UK on regional roll out of 'Big Ambition' with e-skills, a sector skills body.

Physical Infrastructure

7.2.9 A key element of software and manufacturing support comes from the provision of high quality physical infrastructure via office incubation and grown facilities. During recent years, the city has continued to build upon its work developing physical infrastructure to support the development of technology, software and manufacturing, most notably the state of art facilities available at the Software Centre, Evolve at Rainton Bridge and Washington Business Centre.

Washington Business Centre

7.2.10 Washington Business Centre is a £6m investment funded by the Council and ERDF. It offers a mixture of managed offices and workspaces with 5,200sq metres of lettable floor space. It is anticipated that this will create 200 new jobs and 25 new businesses.

Sunderland Software Centre

7.2.11 The Sunderland Software Centre is a £12m state of the art building on the edge of the city centre. The Panel visited Sunderland Software Centre and viewed at first hand the facilities available. The three-storey centre offers space for more than 60 businesses and is purpose built for businesses in the technology field. Metres of modern, white space offer the most flexible offices

possible. As well as its facilities as a business base, the centre has a choice of bespoke conference, meeting and innovation rooms that can cater for a range of events, as well as providing the required technology and connectivity. At the present time, the Centre has a 21% occupancy with 14 companies (excluding Sunderland Live, the Software City project management team and the Council's Business Investment Team who are also located in the centre), collectively employing 43 people.

Panel's Findings

- 7.2.12 Members were most impressed at the facilities available at the Software Centre. While the Centre is a long term development, it is hoped to replicate the success of Evolve in the coming years through increasing occupancy levels and the number of businesses and employees located at the Centre. The next step will be to attract larger firms to locate at the Centre alongside the existing smaller firms.

Evolve Business Centre

- 7.2.13 The Evolve Business Centre is a state of the art e-commerce centre designed specifically to meet the needs of the area's technology based companies. The Centre is intended as a developing hub for knowledge based information and communication technology businesses.
- 7.2.14 Evolve's aim is to support and enable SaaS (Software as a Service), ISV's (Independent Software Vendors) and technology companies to develop and grow; providing an environment for technology companies to use as a base and networking centre.
- 7.2.15 The building provides high quality office space spread over three floors and is globally connected with the highest possible standard of broadband telecommunications infrastructure. Businesses also have access to fully equipped meeting, training and conference facilities as well as a prestigious boardroom. Business support, information and advice are available from the Council's Business Investment Team. Evolve also acts as a hub for the whole of the business park which is home to a number of hi-tech businesses.
- 7.2.16 Evolve has been open for 6 years and currently has an occupancy rate of around 85%. There are 35 businesses holding office space in the building though there are a number of other companies who use it as a virtual business centre, coming in to use the connectivity throughout the week. These are agile businesses that have no need for a physical permanent base.
- 7.2.17 During its visit to Evolve, the Panel took the opportunity to speak to a number of small firms from the software, creative and media industries; namely:-

4th Aspect – on line marketing software company
Shoofly Publishing – digital publishing company
Gedanken - a company specialising in coaching based support and personal development.

7.2.18 All of the businesses referred to the excellent facilities on offer at the Evolve Centre and the support provided by the staff based there. It was felt that the existence of such a high quality building and infrastructure can play an important part in spreading the perception that the city is an attractive place to build a business. They considered that the area also possesses excellent transport links and has a reputation for having a hardworking and high quality workforce.

Challenges

7.2.19 However, there were felt to be a number of challenges facing the city and the sector as a whole. Firstly, and most importantly, was ensuring an adequate supply of skilled people in order to allow the sector to expand into the future. Employment prospects in the field of software were strong, jobs were relatively well paid and there was a high success rate for new companies. The long term prospects of a career in the software sector needed to be highlighted by schools and high quality training made available.

7.2.20 There was also felt to be a need to strengthen the link between the University and firms based at Evolve in order to provide greater opportunities for work placements and interns. Reference was made to the University's Software Hatchery Business Incubator which provides office space, facilities and mentoring for students interested in starting up a business. Once new ventures have grown sufficiently it was hoped that the support received would have led to a development path for taking office space or obtaining work experience with firms in the software sector.

7.2.21 The businesses based at Evolve also considered it important that the opportunities and obstacles facing the software sector were given due recognition and that their significance was not subsumed in the push to develop the manufacturing sector. In fact, they considered that the sector was perhaps best viewed as a form of virtual manufacturing. Other sectors such as manufacturing and creative and media were also becoming increasingly reliant on the contribution of the software sector for their continued success.

7.2.22 During our discussions with firms based at Evolve, reference was also made to the importance of revitalising the city centre in order to make it a more attractive place to visit, shop and live. It was felt that improving its vibrancy through more events, festivals and an improved retail offer, would contribute greatly to making the city a more attractive option for inward investment from the software sector.

7.2.23 It was also important for the council to continue to engage with the software sector in order to keep them up to date with major planned developments in the city and assist them with marketing and support.

Panel's Findings

7.2.24 Members were most impressed at the facilities on offer at the Evolve Centre, the support provided to the firms located there and its high occupancy figure. We would concur with the firms that we spoke to that the existence of such a high quality building and infrastructure can play an important part in spreading the perception that the city is an attractive place to build a business.

7.3 Creative Industries

Background

7.3.1 The Council's approach to the role of the Creative Industries sector is set out in the Council's Creative Industries Strategy.

7.3.2 The Strategy defines Creative Industries as a diverse set of activities ranging from architecture, crafts, design, music, film, the performing arts, publishing, media, fashion and advertising.

7.3.3 At the heart of the creative industries are people and the way their talent can:-

- Provide a direct contribution to economic growth;
- Initiate and encourage wider adoption of innovation;
- Support regeneration and place-making;
- Help to improve the profile and perception of the city.

7.3.4 The Panel met with Anne Tye (Lead Officer for Implementation of Creative Industries Strategy) to discuss the contribution made by the Creative Industries sector to the growth and diversification of the local economy.

7.3.5 The long term aim of the Creative Industries Sector Strategy was to ensure:-

- Sunderland Creative Industries will be a significant contributor to the reputation, cultural offer, attractiveness and economic development of the City and particularly the city centre;
- to promote more enterprises and innovation as well as stronger, more successful business and organisations within the Creative Industries sector offering opportunities for employment and/or productivity growth;
- more people working in Creative Industries in the city.

7.3.6 Figures from Central Government for 2007 show a 4% growth in Creative Industries in the UK, with creative sector employment growing at twice the national average. In 2011 Sunderland had 440 firms employing 2,510 people within the Creative Industries. The bulk of the sector is made up of small firms and the self-employed.

7.3.7 The City has an impressive set of assets which include a history of glass making, the University with its range of Arts, Design and Media facilities (including the National Glass Centre) which has been recognised for its

quality, along with new Innovative Creative businesses setting up in the City.

7.3.8 A number of initiatives demonstrate the range of activities going on in the city:-

- the 'Makers Markets' which allow artists to showcase their work. Plans are in place for current markets to continue in the Sunnyside area in 2014. In 2012 four markets took place, five in 2013 but plans for 2014 will see ten markets;
- Pop Recs Ltd which is a music based initiative based in the City Centre providing accessible music led activities that has received a national award and national and international publicity;
- the Urban Art Festival which has proved a great success attracting high calibre street artists from throughout the UK and is linked to other festivals in Southport and Bristol. Sunderland will hold the next Festival in 2015.

Challenges

7.3.9 However, the creative sector in Sunderland does face a number of challenges. In October 2011 a mapping study was carried out to look at and measure the economic outputs of Creative Industries. The study compared Sunderland to two other cities, Derby and Stoke, which had similar economic challenges. When measured, Sunderland was found to have a lesser contribution from the creative industries sector. Overall, however, it was felt that Sunderland had a strong and innovative creative industries sector.

7.3.10 It was also found that the potential for growth within creative industries was limited as some firms struggle to translate creative potential into business growth, indicating a lack of commercial awareness amongst some firms. While some sub sectors have networks which aid collaboration, others lack such networks. There was therefore a need to encourage networks and break down silo working. There was also scope for further skills development in the sector in order to help people within creative industries to work within other growing sectors including health, hospitals as well as the voluntary and community sector.

7.3.11 It was felt that more needed to be done to raise the profile of the city to potential businesses within the sector. To this end, a weekly bulletin is sent via e-mail to around 300 people who include information on what is going on across the City from places such as the Arts Centre, Washington and the

Glass Centre. Information is also included on Facebook under 'SCENE' (Sunderland Creative Enterprise Network).

- 7.3.12 In terms of the future development of the creative industries sector, it was considered that the way forward is to increase business support with key partners such as the University and the Business & Innovation Centre etc., improve business skills for start-up and existing business with specialised training and advice, help businesses develop exhibitions sales and generate income, and roll out sector specific financial contributions and support.

Panel's Findings

- 7.3.13 While the creative industries sector is still relatively small, the Panel referred to its growing vibrancy and potential, the contribution it can make to the attractiveness of the city as a place to live and work and its potential for future growth. However, it is recognised that employment opportunities in the future will remain limited in the short and medium term relative to other sectors such as automotive and advanced manufacturing.

7.4 Automotive and Advanced Manufacturing

Background

- 7.4.1 As part of the review, the Panel took the opportunity to visit the offices of Nissan in order to discuss its contribution to the local and regional economy and future opportunities and the challenges.
- 7.4.2 Nissan is now the biggest UK car maker of all time. In 2013 it made over 500,000 cars for the second year running. Around 81% of its cars are exported to mainland Europe representing 1.4% of the UK's total exports abroad.
- 7.4.3 Nissan makes a major contribution to the city and the region. Since its inception, around £16bn has been invested in the Washington plant. About 7,000 people work in either the Nissan factory in Washington. In all 21,000 jobs are supported in the northeast by way of the regional supply chain.
- 7.4.4 Nissan's decision to continue to invest in Sunderland makes the city a hub for technological development in both the automotive and advanced manufacturing sectors. The allocation of Enterprise Zone status adjacent to the Nissan site offers considerable potential for growth.
- 7.4.5 Nissan is not just a major part of the city's economy but has also acted as a catalyst for diversification and made a major contribution to Sunderland becoming a centre for the low carbon industry in the UK. Nissan is the market leader in Electric Vehicle technology with recent investment in the Sunderland plant to produce the all-electric Leaf and the battery plant. The presence of Nissan has also been central to attracting investment for the establishment of

an International Advanced Manufacturing Park adjacent to the plant which will provide a significant growth and broadening of the manufacturing base of the city.

- 7.4.6 Clearly, Nissan is a major driver in the local economy; both in itself and through its supply chain. The Washington plant has grown strongly over recent years to reach a record high point of production. The challenge for the future will be to continue the competitiveness and prosperity of the factory.

Challenges

- 7.4.7 During our discussion with Nissan they referred to a number of key challenges for the future including:-

Skills – the firm envisages future skills shortages. Nissan are currently training 120 apprentices. They also provide pre training to help some applicants reach a level where they are then able to be offered apprenticeships. At the present time the position with regard to engineering firms offering apprenticeships is varied and this can lead to difficulties with retention which could be worsened by the arrival of the International Advanced Manufacturing Park.

One initiative designed to help the skills challenge is the Skills Academy for Sustainable Manufacturing and Innovation located next to Nissan which is a £9.8 million state of the art facility and is dedicated to training and development in the Low Carbon Vehicle sector. Also, the Nissan plant is one of only two global training centres with the other located in Japan.

Nissan has also tried to reach out to the community and create an environment to encourage engineering training. A school engineering event for 2,000 children is held every year in order to encourage young people to be more interested in a career in engineering and manufacturing.

Investment Opportunities– The negotiation of free trade agreements with US and Japan could open up new potentially lucrative markets.

Energy – energy costs have risen considerably and are likely to continue to rise and there are a number of potential threats to the future stability of the energy market. With the arrival of more manufacturing firms in the area, Nissan feel there is an opportunity to cooperate with the Council and partners on innovative schemes to secure new renewable forms of energy.

Transport - Nissan also anticipates that the arrival of the International Manufacturing Park and the Enterprise Zone will put strain on the road network around the plant and potentially interfere with access. The flow of components into the factory and the flow of new cars being taken out need careful management so that production can be maintained continuously.

Governance - Nissan referred to the changing governance landscape in the city with the establishment of the Local Enterprise Partnership and the impending Combined Authority. For Nissan, it was important that they retain

clear, straightforward lines of communication when dealing with local governance structures.

Panel's Findings

- 7.4.8 The Panel recognise the challenges facing Nissan in terms of the transport and energy infrastructure adjacent to the plant. The Panel also shares its concerns in relation to the prospect of a skills shortage. We must ensure that Sunderland possesses the skilled labour force that prospective employers need and we need to know more about the skills requirements of expanding sectors of our economy and how best to meet them. With an aging manufacturing workforce, it is important that we work with schools, colleges and the University to promote the development of the appropriate skills and promote manufacturing as an attractive career option. It is important to ensure as far as possible that the people of Sunderland are in a position to benefit most from the jobs created in the city.

Advanced Manufacturing

- 7.4.9 The City Deal and International Advanced Manufacturing Park will provide considerable economic opportunities for the city and hopefully provide an impetus for sustained growth in the advanced manufacturing sector. This should help to both grow and broaden the base of the manufacturing sector and provide a source of well-paid secure employment.
- 7.4.10 The City Deal builds on the success of Sunderland's car industry with an International Advanced Manufacturing Park to boost the local supply chain and attract further investment. It is estimated that City Deal will bring in £295m of private sector investment in advanced manufacturing and create 8,000 jobs in Sunderland by 2051 through projects such as the new bridge crossing the Wear and the new development.
- 7.4.11 The city has also been allocated a £12m grant from the Regional Growth Fund to boost business growth around the city by improving transport links in the city. This funding will improve transport infrastructure at all key points creating smoother traffic flow around the A19 and A1231. It is hoped that this will minimise traffic flow issues around Nissan. It will also include new infrastructure around Sunderland's Low Carbon Enterprise Zone and create links in busy areas to pave the way for expansion of its business sectors. These include new roads linking the location of the new bridge with the city centre and infrastructure at the Port of Sunderland to support more offshore and marine engineering activity.

7.5 Port of Sunderland

Background

- 7.5.1 The city is a major centre for low carbon industries and the Port represents an opportunity to expand the low carbon and renewables sector. At 115 hectares

the Port is one of the UK's biggest in public ownership and potentially one of the city's biggest assets.

- 7.5.2 Work is on-going to bring together a 25 acre development site which will be available for both operational and manufacturing use. The Port is also close to the International Advanced Manufacturing Park and will have improved transport links as a result of the Sunderland Strategic Transport Corridor and the planned new Bridge across the Wear.
- 7.5.3 After significant investment, the Port is now a profitable operation and part of this achievement is down to a growth in a number of business sectors including bulk cargo, ship repairs and marine engineering and the north sea oil and gas industry along with offshore renewables and subsea engineering.
- 7.5.4 The Port's basic infrastructure and location is good, with 3 kilometres of river and dock berths and the advantage of being only 10 minutes from the open sea which should make it a potentially attractive base for the renewables industry. The development of the offshore wind industry off the North Sea potentially opens up a range of opportunities for the Port in manufacturing and maintenance work. However, the offshore wind industry has not progressed as quickly as originally envisaged though there remains the potential for expansion.

Panel Findings

- 7.5.5 The Panel recognises the significant progress being made by the Port during recent years which is now a profitable and viable operation. We consider that the Port has considerable potential in encouraging greater manufacturing on site. However patience is needed in terms of the off shore energy industry as growth is likely to be in the long term.

7.6 City Centre Regeneration and Economic Diversification Background

- 7.6.1 As well as looking to diversify into sectors such as software, creative industries, advanced manufacturing and renewables, the city also needs to develop its financial and professional services sector which at this time is underdeveloped. Central to this will be the establishment of a new business development on the Vaux site which should help to bring more high value jobs to the city.
- 7.6.2 However, this development should not be seen in isolation. A number of factors will be central to growth in economic activity in the city centre:-
 - (i) the development of new business opportunities in the city centre to generate more employment and spending;
 - (ii) a range of events and leisure opportunities that will attract residents and visitors into Sunderland;

(iii) the development of partnership working with city centre traders and businesses to find new and innovative ways to attract people into the city centre;

(iv) a choice of high quality housing in order to encourage people to come and live and work in the city;

(v) providing an attractive urban environment with good transport links to attract people into the city centre.

7.6.3 The economic success of the city centre is very much related to the amount people are spending. We need to encourage people to come in to the city centre and spend money. This will involve creating a more vibrant nighttime economy with a range of events and festivals, shops staying open later and attractive bars and restaurants.

7.6.4 The Panel met with Ian Williams (Director of Business Investment) to discuss the progress of regeneration across the city centre including the Vaux site, the Minster, Sunnyside, the University, and Sunderland Rail Station. The Panel also took the opportunity to see at first hand the progress being made at a number of the sites.

7.6.5 **Vaux Site** - The Vaux site is considered to be a key development in the regeneration of the city centre. The development will be predominately office based with a hotel, retail and some residential. The creation of a new business district will help develop a business and financial sector that will contribute to the broadening and diversification of the local economy. It is anticipated that the new business development could generate up to 4,000 jobs in a variety of sectors, increasing spending in the city centre and supporting the development for a broader urban economy with a stronger service sector generating employment and prosperity.

7.6.6 Also, work currently on going at St Mary's Way will improve access into the city and provide a new public square with improved public realm and landscaping. The Square will feature attractive lighting and public art which will celebrate the city's industrial and ship building heritage

7.6.7 The Vaux site is a potentially transformational development for the city centre. While work on the site should begin shortly, the development of the new business district should be seen as long term development that should reach full fruition over a 10-15 year period.

7.6.8 **Minster** – Minster Square is felt to have great potential as a cultural and arts quarter. This will also entail the creation of a more vibrant cafe and nighttime culture. Links will be developed with the Empire Theatre which frequently hosts major shows with the potential to be marketed throughout the country as 2-3 day city & theatre breaks. This will have a positive knock on effect for the city centre. The Panel also referred to the importance of more hotel development in the city centre in order to attract and accommodate people visiting the city.

- 7.6.9 **Sunderland Rail Station** – the Council in partnership with Network Rail has committed substantial funding to the refurbishment and upgrade of the Station. This should provide for a major improvement for people accessing and leaving the city by train and improve the overall perception of the city.
- 7.6.10 **Sunniside** - In terms of the Sunniside area, development was more likely to include a mix of niche retail and residential housing. There was continuing interest from hoteliers in the former Joplings building.
- 7.6.11 **University** - The University plays a very important role in supporting the city economy. It has invested around £75 m to improve infrastructure and public realm, including the refurbishment of the Priestman Building, improvements to St Michaels Way underpass, plans for a 125 bed hotel on Hind Street and the refurbishment of the National Glass Centre.
- 7.6.12 Students attending the University also contribute a considerable amount of revenue into the city and are a source of vibrancy, innovation and skills. They also offer a potential source of new business start-ups and entrepreneurship and the University is working on ways to improve levels of student retention in the city. As a member of the Sunderland Partnership, the University works with the Council and its partners in many areas including the Economic Leadership Board.
- 7.6.13 **Holmeside** – Holmeside has proven to be a large and problematic development site. However, Sunderland College currently has a pre planning application for a £29 million college campus which has exciting possibilities for the development of the area.

New Delivery Vehicles for Regeneration

- 7.6.14 During our discussion with Ian Williams, the Panel considered the role and progress of two new delivery vehicles for economic regeneration in the city: namely the Business Improvement District (BID) and the Local Asset Backed Vehicle (LABV).
- 7.6.15 The Business Improvement District is a private sector led vehicle for the regeneration of the city centre. The aim of the BID is to increase city centre vibrancy, footfall, dwell time and expenditure in addition to contributing to longer term physical projects. The BID should encourage the private sector to take a more active role in the overall redevelopment of the city centre. The BID came into effect on 1 April 2014 and will host its official launch on 9 April 2014. The BID will be funded from a 1.5% levy on the rateable value of firms over £15k which will generate approximately £3.4m over 5 years. There should also be the opportunity to leverage in additional funding in the years ahead.
- 7.6.16 The Local Asset Backed Vehicle (LABV) represents a partnership between the Council and a private developer to regenerate a number of sites in the city. Each partner brings assets and expertise to the partnership. The portfolio of sites includes Vaux, Seaburn and Chapelgarth. The Council is currently in

the final stage of dialogue with its preferred bidder, with this process expected to conclude April/May 2014

7.6.17 Clearly a good deal of progress has been made on the development of the BID and the LABV. The challenge will now be to meet the expectations that have been raised and ensure that the activities of each are coordinated for the overall benefit of the city. As part of the Operating Agreement between the BID and the City Council, the BID Chief Executive and Chair will be required to attend at least one meeting of the Scrutiny Function per year.

7.7 MAKE It Sunderland

7.7.1 A key part of the growth and diversification of the city's economy will be the ability to successfully promote the city both nationally and internationally.

7.7.2 To this end, the Panel heard from Jill Laverick (Corporate Affairs Manager) about the work of MAKE It Sunderland; a new inward investment marketing initiative for the city launched in June 2012 which seeks to promote the opportunities available in the city for potential investors. Informed by the Economic Masterplan and developed with the private sector, its remit is to concentrate on a small number of key sectors including software, advanced manufacturing, offshore and automotive.

7.7.3 A feature of the initiative has been the importance of developing strong personal networks with key stakeholders. This has meant organising events and attending trade shows and exhibitions to sell Sunderland as a good place to do business. For example the 2nd anniversary of the launch of the Economic Masterplan was marked by organising an event in London to publicise progress which gained a great deal of national media attention as well as raising Sunderland's profile in Westminster.

7.7.4 The campaign has also developed a strong brand and high quality marketing materials including the website www.MAKEitSunderland.com.

7.7.5 In terms of results to the end of December 2013, the campaign has generated:-

- PR coverage worth £3,189,903
- 29,571 website visitors
- 1,124 twitter followers
- 250 key contacts made through networking events
- 80 companies and individuals involved in populating the website with good news story profiles
- 15 exhibits at international and national events

7.7.6 Moving into the future the main aim will be to maintain the momentum and build on the successes that have been achieved over the past two years.

7.7.7 The Panel referred to the importance of promoting the city if we are to encourage strong inward investment into the city. It was also suggested that

we consider the value of tracking companies who had left Sunderland in order to re-establish contact and make them aware of the progress and opportunities in the city.

- 7.7.8 It was also important to 'plant seeds' in the political arena. The government is looking to de-centralise more of its functions and Sunderland should be in the forefront of their minds when looking for suitable sites.

8 CONCLUSION

- 8.1 In the last two decades Sunderland has seen an encouraging growth in the automotive and advanced manufacturing industries and contact centres. Developments have also been made in relation to the service sectors and the performance of its knowledge and new technology based industries. However, a range of challenges still face the growth and diversification of the city's economy:-
- The city remains a relatively low wage economy
 - It need more higher skilled and better paid jobs
 - More private sector jobs are required
 - There remains an over reliance on larger employers
 - The city has relatively low rates of business start-ups and levels of self employment
 - The city needs to expand its business and financial services sector and improve its retail offer
 - The city centre remains underpowered economically
- 8.2 In order to respond to these challenges, the city needs to focus on both long standing sectors of the economy such as automotive, manufacturing and contact centres while supporting new and emerging sectors ensuring that they have the necessary support and infrastructure. There is a need to protect existing jobs and attract new jobs into the city. We must to continue to exploit the potential contribution that the Port can make to the city's economy. We also need to continue to encourage the development of businesses that can benefit from opportunities to export and take advantage of new technologies, areas of excellence and markets.
- 8.3 The local economy must however, not be over reliant on any one particular economic sector. Automotive manufacturing in Sunderland is a powerful engine for economic growth and it will be important to continue to take the opportunity this brings to help diversify the local economy and develop other sectors of the economy. However, a strong automotive manufacturing sector and a more diverse economy need not be exclusive. Indeed the local developments in new technologies such as Electric vehicles can act as a catalyst for greater diversity.
- 8.4 Diversification must also grow in other sectors such as digital, media and software. The Panel has been impressed at the state of the art facilities and infrastructure on offer in buildings such as the Sunderland Software Centre and Evolve. These have the potential to support further economic growth. However, it must be recognised that they are likely in the short and medium term to stay small sectors relative to the economy of the city as a whole.

- 8.5 It is important to look to broaden and diversify the city centre economy for the long term health of the city. The new business development at the Vaux site should greatly contribute to diversification of the economy. This will not happen quickly and needs to be seen as a long term development. A new Public Square will better connect key parts of the city centre and there is a need to improve the city's retail offer through new development. Sunderland needs more people to live, work and spend in the city to secure a sound economic base.
- 8.6 The city needs to encourage the development of its skills base through high quality schools, good career opportunities and career advice and vocational routeways to employment, creating opportunities for young people and supporting business. The provision of an improved skills base to support the development of existing and newer sectors of the economy will be crucial and it is important to be clear about the future skill requirements of each sector of the local economy. We need to recognise the importance of increasing youth apprenticeships. While there has been a growth in apprenticeships and the number taking up opportunities, it is important that we increase the number of apprenticeships particularly in the Intermediate and Higher categories. It is vital that apprenticeships reflect the needs of the economy and target areas of economic growth, such as manufacturing and new technologies.
- 8.7 The University of Sunderland has an important role in the future of the local economy promoting skills, innovation, research and development and in its contribution to the city's infrastructure and public realm.
- 8.8 We need to capitalise on regional structure framework such as the North East Economic Local Economic Partnership (NELEP) and the Combined Authority. The North East LEP is a business led strategic vehicle responsible for promoting economic growth in the North East. The LEP is the fourth largest in the UK covering the local authority areas of Sunderland, County Durham, Gateshead, Newcastle, North Tyneside, Northumberland and South Tyneside. The Combined Authority brings together the same local authorities and should help the city promote jobs and growth, focusing on strategic planning, inward investment, skills and transport.
- 8.9 The city also needs to continue to develop productive relationships with local business and encourage private sector investment, notable examples being the BID and the LABV.
- 8.10 In conclusion, economic diversification represents a major challenge for the Council and the city but it is vital in securing long term economic prosperity for Sunderland. These changes are long term and the pace of change is slowed as we continue to try and mitigate the impact of the recession. A good start has been made and we look forward to building on the progress in the years to come.

9 RECOMMENDATIONS

- 9.1 The Panel's recommendations are as outlined below:-

- (a) That the scrutiny function receive further progress on the role of the Local Asset Backed Vehicle and the Business Improvement District in delivering the regeneration of the city centre;
- (b) That the Council continues to engage with the business community including Nissan to improve the transportation and energy infrastructure adjacent to the Nissan site;
- (c) That the Council and its partners work together to seek to address the future skill requirements of each sector of the local economy;
- (d) That the Port continues the expansion of its business and further develops its market in emerging sectors of the economy;
- (e) That the Council continues to promote the development of the software sector in the city and continues to engage with them in order to keep them up to date with major planned developments in the city and assist them with marketing and support;
- (f) That the Council continues to promote the development of the creative industries sector in the city;
- (g) That the Council continues to work with the Sunderland Empire on its infrastructure requirements and its overall visitor offer.

10. Acknowledgements

10.1 The Panel is grateful to all those who have presented evidence during the course of our review. We would like to place on record our appreciation, in particular of the willingness and co-operation we have received from the below named:-

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- (b) Andrew Perkins (Lead Policy Officer for Economy and Sustainability)
- (c) Berni Whitaker (Enterprise Manager)
- (d) Cheryl Jones (Business Development Manager)
- (e) Anne Tye (Sector Specialist Creative Industries)
- (f) David Dunn (Chief Executive Officer, Sunderland Software City)
- (g) Jill Laverick (Corporate Affairs Manager)
- (h) David Glyn (4th Aspect)
- (i) Claire Glyn (4th Aspect)
- (i) Maurice Tinkler (Evolve Centre Manager)
- (j) Ann Curtis (Shoofly Publishing)
- (k) David Cliff (Gedanken)
- (l) Richard Ebrahim (Nissan)
- (m) John Butcher (Nissan)
- (n) James Stephens (Nissan)

11. Background Papers

Sunderland Economic Masterplan
New Industry New Jobs – HM Government 2009
North East Independent Economic Review April 2013
Key Cities Unlocking Potential – Manifesto for Growth
Future of Apprenticeships – Richard Review
Make It Sunderland – Update 2012
Minutes of Meeting of the Skills Economy and Regeneration Scrutiny Panel

