University of Cumbria

cred
Centre for Regional Economic Development

Cumbria Intelligence Observatory

CUMBRIA LOCAL ECONOMIC ASSESSMENT

CUMBRIA SUMMARY

NOVEMBER 2010

Professor Frank Peck
Dr Gail Mulvey
Centre for Regional Economic Development

Ginny Murphy
Stuart Frank
Cumbria Intelligence Observatory

Introduction

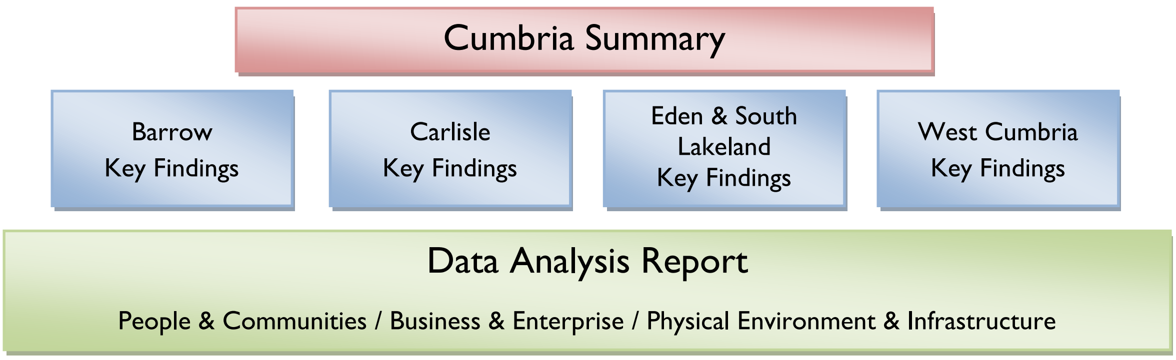
Recent legislation contained within the Local Democracy, Economic Development and Construction Bill placed a statutory duty on local authorities to undertake a Local Economic Assessment (LEA) from April 2010.

The aim of LEAs is to equip local authorities and partners with a common understanding of local economic conditions and economic geography and of the social and environmental factors that impact on economic growth. This assessment should provide both a tool and an evidence base to help target and prioritise limited resources and interventions in order to stimulate economic growth and recovery in Cumbria, particularly in the austere years of limited public funding to come. It will also help contribute to the development of Cumbria's Local Enterprise Partnership (LEP).

This document is part of a suite of documents which together comprise the Cumbria Local Economic Assessment and which arose out of a series of consultation events held across Cumbria. The report is therefore best read in conjunction with the similar reports for Barrow, Carlisle, Eden & South Lakeland and West Cumbria which all follow a similar structure. This report uses data from the comprehensive Cumbria Local Economic Assessment Data Analysis Report which can be downloaded at http://www.cumbriaobservatory.org.uk/AboutCumbria/economy/cumbriaeconomicassessment.asp and which will be updated on a quarterly basis so that it is always kept up to date with the most recent data releases.

The ultimate test of the LEA will be its appropriate use by a range of different organisations. The Cumbria LEA has a potentially large audience of people interested in the field of economic intelligence, from businesses making investment decisions, through commissioners of skills provision to practitioners drafting local policies and strategies. For this reason the document has been structured as in the diagram below. This structure provides different points of access at differing degrees of detail and it is hoped that this will make Cumbria's LEA as accessible as possible to the wide variety of people who may be interested in its content.

Structure of Cumbria's Local Economic Assessment



CONTEXT

Cumbria – a County Council with six districts and 2 national parks

Cumbria is located in North-West England adjacent to the Scottish Border. The County, which came into existence in 1974, is the third largest in England covering an area of 6,768 sq km. Public services are also delivered via six District Authorities; Allerdale and Copeland in West Cumbria, Barrow-in-Furness in the south west, the more rural districts of Eden and South Lakeland and the largest urban area, the City of Carlisle. Cumbria contains the Lake District National Park which covers large areas of four of the district authorities as well as parts of the Yorkshire Dales National Park to the south east.

The County is renowned for its mountains, lakes and rural landscapes

The Lake District National Park is widely recognised as one of the most scenic areas of England. The Park contains the highest mountain peak in England (Scafell Pike, 978m) as well as lakeland landscapes made more famous by their association with many artists and writers including William Wordsworth and Beatrix Potter. These landscapes and associations draw millions of visitors to Cumbria annually. There are also major tourism attractions outside the National Park, including prominently Hadrian's Wall to the north and more recent attractions including Centre Parcs in the Eden Valley.

…. but there are many major industrial employers operating in the County

The population density of Cumbria in 2001 was only 73 persons per sq km compared to the England average of 379 and Eden District has the lowest population density of any District in England (23). While large areas of Cumbria are rural in character, around half of the population is located within the principal urban areas of Carlisle (Circa 76,500), Barrow (59,100), Kendal (28,400), Whitehaven (23,800), Workington (23,700), Penrith (14,900) Maryport (12,000) and Ulverston (11,600). All of these towns have a long industrial history and there are major manufacturing companies currently in operation, including prominently Sellafield in West Cumbria and the BAe Systems submarine shipyard in Barrow.

PEOPLE AND COMMUNITIES

Trends in population vary across the County

Cumbria's population in mid 2009 was estimated at 495,000 and this total had expanded since 2001 by 1.5%. This broadly reflects trends in the NW Region as a whole (+1.8%) but varied, however across the County. In general terms, population growth has continued to be concentrated in the east of the County in Carlisle (+3.9%), Eden (+3.8%) and South Lakeland (+1.4%). In contrast, the population continued to decline in Barrow (-1.5%) but remained stable after a previous pattern of decline in Copeland and Allerdale.

…. and the population structure has aged, particularly in rural areas

Growth in population, however, has been accompanied by an ageing population structure caused by a combination of factors including net out-migration of young people, in-migration of older people and increased life expectancy. The number of people of working age has remained fairly constant between 2001 and 2009 (at around 292,200), but the number of those above retirement age has increased from 103,800 to 118,000, an increase of 13.7%. The rapid ageing of the population has been a notable feature of rural communities within South Lakeland, Eden and Allerdale. Despite the overall number remaining stable, the proportion of the population which is of working age has fallen particularly sharply in South Lakeland (from 58.5% in 2001 to 56.1% in 2009).

Levels of earnings vary considerably across the County

In 2009, the average full time gross workplace earnings in Cumbria was £458 which was fairly close to the NW figure (£460) and around 94% of the national average (£489). This figure, however, masks considerable variation between districts that generally reflect variations in employment structure. Average earnings tend to be below average in districts with a high proportion of employment in the service sector and rural economy (Eden £351; South Lakeland £418). In contrast, full time earnings are above average in parts of the County dependent upon production industries (Barrow £479 and especially Copeland £675). These figures for districts, however, also mask considerable variation in access to paid employment within these areas (see below).

Levels of unemployment in Cumbria are relatively low

Following the steep rise in unemployment that occurred in the second half of 2008, levels of unemployment in Cumbria reached a plateau at just over 2.5%. Latest figures for October 2010 indicate that there are 7,525 claimants on Job Seeker Allowance which represents 2.4% of the total working age population. The national rate, however, climbed to a much higher rate (over 4%) before falling back to its present level of 3.5%. There are sharp contrasts within the County between Eden and South Lakeland where rates are extremely low and Copeland and Barrow where rates are over 3%. However, unemployment rates are currently below the UK average in all districts in Cumbria.

…. but these figures mask significant variations in worklessness across the County

Levels of worklessness in Cumbria are currently lower than the NW and UK average. In February 2010, there were 35,810 people claiming some form of out-of-work benefit which accounted for 11.5% of the working age population. This is lower than both the regional (15.7%) and national (12.9%) averages. However, these figures mask large variations across the County. The proportion of people claiming out of work benefits was well above the national average in Barrow (16.6%) and Copeland (14.2%) but very low in Eden (7.0%) and South Lakeland (6.9%).

Levels of educational achievement are below average at secondary level

Education standards in Cumbria are above average at primary level but compare less well for GCSE and A level. In 2009, 66.7% of pupils gained 5 grades A*-C at GCSE compared to 70.9% in the NW Region and 70% nationally. At A level, the proportion of pupils gaining 3 or more A grades in Cumbria was 9% which was lower than the regional (10.2%) and national (12.7%) figures. However, the proportion of 16-18 yr olds not in education, employment or training has fallen in recent years. In 2009, there were 750 in the NEET category which was 4.5% of the total in this age group. This was significantly lower than the regional average (7.3%).

…. and there are marked variations in the qualification levels of the working population

Cumbria also has a slightly lower proportion of working age population with high level qualifications (25.6% at NVQ4 and above) compared to the national average (29.8%). Again, there are significant variations across Cumbria in this regard ranging from just 15.2% in Copeland to 36.8% in South Lakeland.

BUSINESS AND ENTERPRISE

Employment in Cumbria is fairly diverse

In 2008, there were over 214,000 employees in employment in Cumbria as well as another 34,000 people in self employment. Of those in employment, the main categories involved public administration, health and education (around 25%), wholesaling and retailing (18%), manufacturing (17%) and hotels and restaurants (11%). In comparison with national averages, Cumbria has proportionally more people employed in agriculture, manufacturing, hotels and restaurants and construction and fewer in finance and business services.

…. but there are distinct differences between parts of the County

Cumbria is a large county and the economy does not function as one single labour market but rather as a set of overlapping local economies that have quite distinct characteristics. In Eden and South Lakeland, land-based activities and tourism play a very significant part in the local economy which contrasts markedly with Barrow where 23% of employment is in manufacturing and 5,200 people are employed at BAe Systems submarine shipyard. Manufacturing is even more dominant in West Cumbria where around a third of all employment is accounted for by manufacturing and construction industries including prominently the nuclear sector. Carlisle acts as an important centre for the provision of public and private sector services to its wider sub-region as well as the production and distribution of manufactured goods and agricultural products.

The tourism sector is undoubtedly significant for the economy

Latest data from Cumbria Tourism indicate that in 2009 there were 5 million overnight visitors to Cumbria as well as 36 million day trippers. It is estimated that these visitors generate a total of £2bn to the Cumbrian economy and support over 32,000 jobs. Their analyses also suggest that the economic significance of tourism has grown since 2000 and that visitor numbers and spend has remained surprisingly robust during the current economic downturn. Official data also confirms significant growth in employment in hotels and restaurants between 2003 and 2008 (+11.5%).

…. but there is also much diversified manufacturing across the County

As well as the two major industrial employers (Sellafield Ltd (9,800 employees) and BAe Systems at Barrow (5,200 employees), there are also many industrial employers operating in the County including production sites operated by multinational companies such as Pirelli, Nestle, United Biscuits and Crown Cork and Seal (formerly Carnaud Metal Box) in Carlisle as well as Iggesund Paperboard (Workington), Kimberley Clark (Barrow), Heinz (Kendal), Sealy Bed (Aspatria) and GlaxoSmithKline (Ulverston). Employment in the manufacturing sector in the County fell by 10% between 2003 and 2008 but this was less severe than the rate of decline nationally (-16%).

In the early 2000s, Cumbria's economic performance lagged behind other areas

Economic performance as measured by gross value-added tended to lag behind other areas of the North West region in the 1990s and early 2000s. Over the long term (1995-2008) Cumbria was the second slowest growing of the 37 counties in the UK, with an overall growth rate of 59.9% compared to 78.0% in the Northwest region and 99.1% for the UK as a whole. This difference can partly be attributed to structural factors, including the reliance of the County on agriculture and services that tend to be associated with relatively low output per worker. The scarcity of corporate headquarters, which tend to generate higher paid employment, also has an influence.

…. but recent data suggests some improvement

Recent trends indicate that this gap may no longer be widening. Data shows that between 2007 and 2008, Cumbria's total GVA grew at 3.6% which is faster than the region (2.8%) and faster than the UK (3.5%). This placed it 4th out of the 37 NUTS2 areas and the fastest growing in the NW region for the 6th successive year. Despite this, it is still the case that GVA per head of population in the county (£15,883) is still much lower than the NW region (£17,604) and UK averages (£21,103).

…. which has been experienced in both east and west Cumbria

Both East and West Cumbria have contributed towards the improved GVA performance since 2002 when the annual growth rate first exceeded 2%. Rates then peaked at around 7.5% in 2004 and dropped subsequently to around 5% p.a. through to 2007 which was very close to regional and national averages. Latest data (2008) shows that East Cumbria (Carlisle, Eden, South Lakeland) contributed 57% of Cumbria's total GVA compared to West Cumbria (Allerdale, Barrow, Copeland) which produced 43% of the total. Production industries are particularly important for sustaining high GVA in West Cumbria (37% of total) and also East Cumbria (22%). In East Cumbria, the distribution sector is also significant (29%).

The number of business in Cumbria has increased significantly since the early 2000s

According to VAT and PAYE registrations data, there were 21,745 enterprises in Cumbria in 2010 and this total has increased since 2004 by around 40%. This was a faster rate of growth than experienced in the NW region (34%) and the UK (30%) as a whole. In the last 2 years, however, the number of VAT/PAYE enterprises in Cumbria has fallen by around 2.8% which mirrors national trends.

Rates of new firm formation are generally lower than the national average

The rate of new registrations for VAT or PAYE gives one indication of the level of new firm formation. Using latest data, there were 1,960 new registrations in Cumbria in 2008.

Expressed as a ratio per 10,000 population, the "birth rate" in the County (47.7) was lower than the rate for the NW region as a whole (49.6) and much below the England average (57.2). In the same year, however, there were 1,900 de-registrations (interpreted as business "deaths"). The death rate in Cumbria (46.2) was higher than the NW region (41.5) and the same as the England average (46.2).

.... but medium term firm survival rates are relatively good

VAT/PAYE data can also be used to measure rates of business survival. The three year survival rate for Cumbria (businesses listed in 2005 that are still registered in 2008) was 71.8% which was significantly higher than the national average (64.5%).

.... and business appear to have withstood the recession relatively well

The Cumbria Business Survey, which took place in August 2010, found that domestic orders were more likely to be lower than higher and profit margins lower. Prices charged were higher though, suggesting that there have been increased cost pressures and that a bigger proportion of sale price is going towards overheads and costs of sales. Businesses were more positive about future orders than negative, although the positive balance was reduced slightly from 2009. This positive outlook was true of all sectors with the exception of construction where almost twice as many businesses expected a decline in orders as expected an increase.

.... but businesses are facing pressures in the immediate future

These findings suggest that most businesses have withstood the recession relatively well but more recently, the severe flooding that occurred in November 2009 presented another significant challenge to businesses, particularly in West Cumbria. The most significant costs were related to taking on temporary premises and structural repairs to properties. It was noted that insurance covered only part of the cost of damage to buildings and most received no compensation for interruption to normal trade. The mean total cost to the 324 business able to give an estimate was £34,337 per business but costs were much higher for the most severely impacted businesses.

It remains to be seen how the Coalition Government's restructuring of the public sector will impact on Cumbria. Based on organisation activity, 25% of jobs in Cumbria are in the public sector, marginally below the national average of 27%. However, alternative figures from ONS based on organisation structure, place Copeland as the most public sector dependent local authority in the UK at 50% due to Sellafield. Female employment in high level occupations is particularly dependent on the public sector in Cumbria and this group will be impacted especially hard by the cutbacks.

PHYSICAL INFRASTRUCTURE AND ENVIRONMENT

Cumbria contains some of the UK's finest natural environments

Cumbria is characterised by very varied natural and built environments. This varied character embodies both its major attractions as a place to visit and in which to live as well as its challenges in terms of the provision of physical infrastructure. The County contain some of the UK's finest natural environments. Besides the Lake District National Park, the area also includes attractive rural areas of the Eden Valley as well as the Pennines and Yorkshire Dales to the east.

…. as well as urban settlements with distinctive character

The largest urban area of Carlisle focuses on an historic core that displays prominently the Norman Castle and Cathedral as well as Tullie House Museum. The adjacent central retailing area focuses on the development of the Lanes Shopping Centre and the pedestrianised Market Place which retains many of its historic features including the old Town Hall. In Eden, the principal town of Penrith acts as the major service centre for a wide geographical area while Kendal is an attractive market town and is the largest settlement in South Lakeland.

…. and towns with a rich industrial heritage

In West Cumbria, most settlements are concentrated in a narrow coastal area stretching from Silloth in the North through Maryport, Workington, Whitehaven and Egremont to Millom in the south. The major challenges for physical development in West Cumbria largely relate to the geographical inaccessibility of the area and the historic legacy of past phases of industrialisation and urban growth and decline. The built environment of Barrow today is also the product of successive periods of industrialisation interspersed with phases of investment designed to modernise infrastructure, housing and public space.

Lack of affordable housing is a particular issue in the rural east of the County

The diverse nature of settlement across Cumbria is reflected in the varied character of housing needs and housing markets across the County. Some of these issues have a spatial dimension, for example, affordable housing is more of an issue in the rural east of the County. The popularity of many settlements for tourists combined with their residential desirability generates very high levels of demand for housing which distorts housing markets. The most pressurized housing markets are in the Central Lakes and rural Kendal is also a high priced area. Data for 2008 shows that the ratio of house prices to earnings (using lower quartiles) was extremely high in both South Lakeland (9.02) and Eden (8.09), well above the England average (6.98).

…. whilst housing and regeneration are issues on the West Coast and in Furness

Evidence suggests that housing markets on the West Coast experience varying degrees of imbalance which is being addressed in part through Housing Market Renewal. One measure of this concerns the level of house vacancy which was quite high 2008-9 in Copeland (4.8% of stock). Copeland also has a much higher proportion of sub-standard housing (9.3% classed in category 1 hazard). Approximately half of the housing stock in Barrow pre-dates 1919 and the quality of some of this is also low. The Decent Homes survey for 2008-9 shows that there were 3,800 dwellings in the private sector in Barrow classed as hazardous. This represented over 11% of the total stock which is the highest figure of all Districts in Cumbria.

The East of the County is comparatively well served by transport modes

The East of the County has good inter-regional road transport links via the M6 motorway which connects Cumbria to the Glasgow conurbation to the north and cities of the North West and Midlands to the south. The M6 corridor is also served by the West Coast Main Line and there were over 1.4m passenger entries and exits in Carlisle in 2007-8.

.... but transport links to West Cumbria are less effective

Despite recent improvements, East-West transport links are much less effective. West Cumbrian towns experience disadvantage in attracting investment due to the remoteness of the area. In a recent survey, 45% of businesses in Copeland identified the road network as a particular concern for business. While there have been recent improvements to the A595, only parts of the A66 route to the M6 motorway consists of dual carriageway. The route to the M6 to the north via the A595 is poor but this may be improved by the construction of the Northern Bypass around Carlisle. As regards rail links, the coastal towns are on the Cumbrian Coast Line and many workers use the line to commute to Sellafield which was the third most used station in Cumbria during 2007-8.

…. and despite recent improvements, transport links to Barrow are disadvantageous

The location on a deep water estuary gives locational advantages for some key activities in Barrow, not least the shipyard itself and the development of the Marina Village. The docks are also ideally situated for servicing offshore windfarms and gas installations. However, the Furness Peninsula is in a peripheral location for road and rail links. While there have been recent improvements to the A590 (Low Newton by-pass), only parts of this route to the M6 motorway consists of dual carriageway. As regards rail links, Barrow is on the Cumbrian Coast Line which provides direct connections to Lancaster. There has been recent investment in improvements at Barrow station which is the second most used in Cumbria with over 538,000 passenger entries and exits in 2007-8.

The amount of employment land available varies considerably across the County

Latest data suggests that Cumbria has a significant amount of employment land available. In 2008-9, there were 398 hectares described as "land available" in the Regional Spatial Strategy. This employment land is not distributed evenly across the County. Over 60% is located in West Cumbria and Furness while in the East of the County, a high proportion is in Carlisle and Eden (32%) and only 6% is located in South Lakeland.

…. but there is a mismatch between supply and demand in many areas

Recent employment land studies suggest that while land available is plentiful, there is a mismatch between supply and current demand in many areas of the County. An employment land study in West Cumbria completed in 2008 identified an oversupply of poor quality older industrial units and a shortage of modern smaller scale workshop type accommodation, particularly suited to newer businesses. A lack of high quality office space for non-nuclear uses in Workington and Whitehaven Town Centres was also noted. Similarly, in Barrow the amount of land available is potentially quite high, but there remains a need for the public sector to invest in reclaiming sites to bring them to market for use.

…. and there are significant gaps in provision in the East of the County.

Recent research in Carlisle conducted by DTZ indicates that there are gaps in provision of land and premises which are heavily concentrated at Kingmoor Park to the north of the city. DTZ note that there are opportunities to create new employment sites associated with the construction of the Northern Development Route to the west of the City, new sites to the south and redevelopment of Carlisle Airport to the east of the motorway. In Eden, in excess of three-quarters of supply is accounted for by land in the Penrith area and development is constrained by the cost of essential transport infrastructure improvements. Shortage of employment land is even more marked in South Lakeland where there is a lack of a range of sufficient sites across market sectors which can be readily developed and that are in locations where businesses require land and premises.

STRENGTHS	WEAKNESSES
People and communities	
Population has been growing recently	The structure of the population is ageing, particularly rapidly in East Cumbria
Earnings are relatively high in areas of the county that have production industries	Earnings are much lower in rural areas
Levels of unemployment are generally lower in Cumbria compared to national averages	Parts of the County experience very high levels of worklessness
Some parts of the County have very high levels of educational achievement	Areas with high worklessness also have very low educational attainment
A high proportion of workers have high level qualifications in South Lakeland	Rates of high level qualifications are low in some parts of the County
Business and Enterprise	
The tourism sector is significant for Cumbria and has grown continuously since 2001	Areas of the Lake District are highly dependent upon the visitor economy
Sellafield Ltd has continued to provide high paid employment in West Cumbria	West Cumbria is increasingly dependent upon decisions affecting the Sellafield site
BAe Systems has recently expanded employment in Barrow to 5,200	Barrow remains dependent upon decisions affecting the defence sector
Recent GVA data shows some improvement and the GVA gap is no longer widening	In the early 2000s, Cumbria's economic performance (GVA) lagged behind other areas
Firm survival rates are comparatively good in Cumbria	Rates of new firm formation are lower than average

Physical Infrastructure and environment	
Cumbria contains some of the UK's finest natural landscapes	
There are many urban settlements with historic interest and rural character	The popularity of these settlements puts pressure on housing markets
Many towns also have a rich industrial heritage	The quality of housing stock in some urban areas is very low
North-south communications in East Cumbria are good	Despite recent improvements, east–west road and rail links are relatively poor
There is a considerable amount of employment land available in the County	Much of the available employment land is of poor quality or poorly located relative to business demand