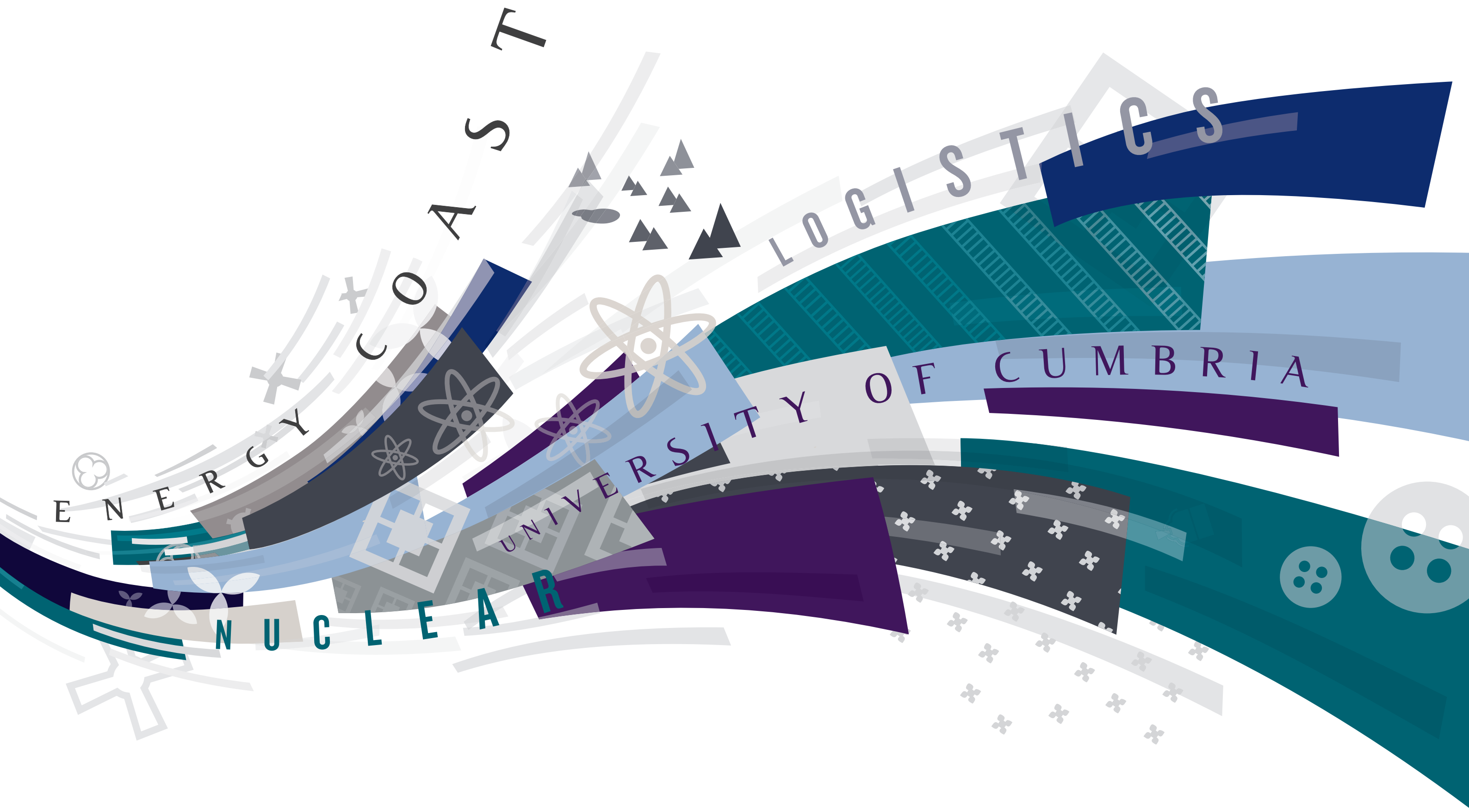


CARLISLE ECONOMIC PARTNERSHIP

ECONOMIC REVIEW OF CARLISLE

JANUARY 2013

CONTENTS

1.0 INTRODUCTION

The purpose of this study is to provide an insight into the current economic performance of Carlisle and assess the city regions future potential. The report highlights key factors that determine the current shape and structure of the economy and also goes on to identify initial action and recommendations designed to help transform economic performance over forthcoming years.

The Carlisle Economic Partnership brings together a range of partners from the private and public sectors with a stake in driving the growth of Carlisle. It is intended that the CEP will agree and drive forward a number of actions aimed at boosting Carlisle's economy as well as facilitating stronger collaborative working between organisations and developing a wider city region approach to economic development.

The study brings together information from a number of sources such as NOMIS Labour Market Data, Census 2001 & 2011, Annual Population Study, Business Register and Employment Survey, Annual Survey of Hours & Earnings, Banksearch, Carlisle Large Employers Affinity Group Action Plan, Cumbria Business Survey 2011, Green Infrastructure Strategy and Cumbria Local Enterprise Partnership Evidence Base and Key Priorities 2012, as well as local focus groups. These source documents and consultation provide additional detail not included in this report.

The intention is to link this work effectively with and support the LEP action plan and emerging Local Plan (2014) while focussing on the specific needs of Carlisle.

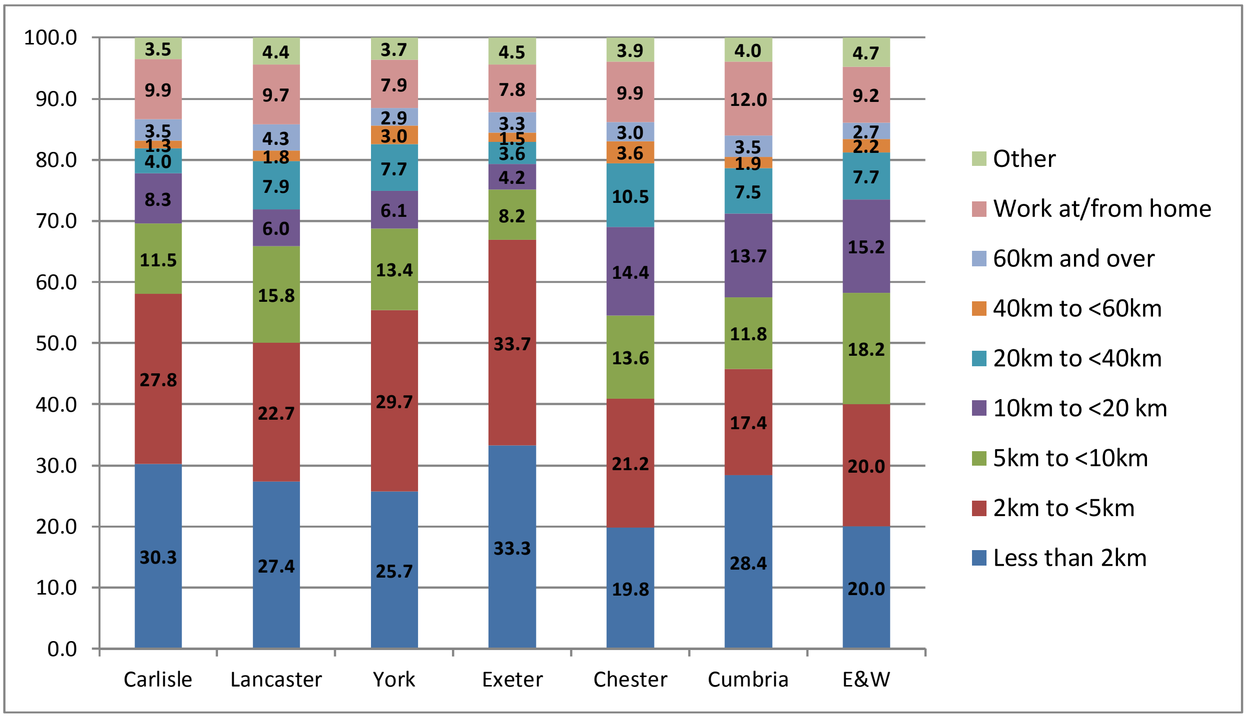
When exploring the social and economic factors in the economy in Carlisle, it was felt that some form of comparison would help paint a clearer picture of Carlisle's issues. York, Lancaster and Exeter (and Chester where data exists) have been chosen as comparator locations as free standing cities which partners will be able to relate to and make comparisons which will resonate to our future actions and targets. These are provided to give context and suggest actions which could add real value to Carlisle. There are though real differences between these cities which mean that we can or should not necessarily seek to simply replicate their activities or position but rather explore the application of economic policy from each area.

2.0 DEFINING THE ECONOMIC GEOGRAPHY OF CARLISLE

Economic activity is largely blind to the boundaries of local administrations and other governance arrangements. Economic development policy is increasingly recognising that this is the case and policies are continuing to shift towards "functional economic areas" as the geographies for which policies should be developed. The geography of a city region seeks to represent the actual area within which labour markets, commuting patterns and business interactions take place. This perspective was acknowledged in the "Growing Carlisle" strategy, albeit the precise geography of the Carlisle City Region was not defined. As a result the starting position for this study is to explore the concept of a city region of Carlisle. After this has been considered it can be used to map out the current economic position and identify its strengths and weaknesses.

The approach taken includes consideration of Travel to Work (TTW) distances for Carlisle residents (Figures 1 & 2). These data are drawn from the 2001 Census (data not yet available from 2011 Census) and indicate a relatively limited TTW area at that time in which the majority of employed residents living within the Carlisle City Council boundary (78%) commuted fewer than 20km to work. Six out of ten employed travelled fewer than 5km to work compared to a national average of 40%. Of the comparator locations, only Exeter has a higher proportion of residents travelling over such a short distance to work.

Figure 1: TTW distances for working residents (2001)



Source: Census, 2001

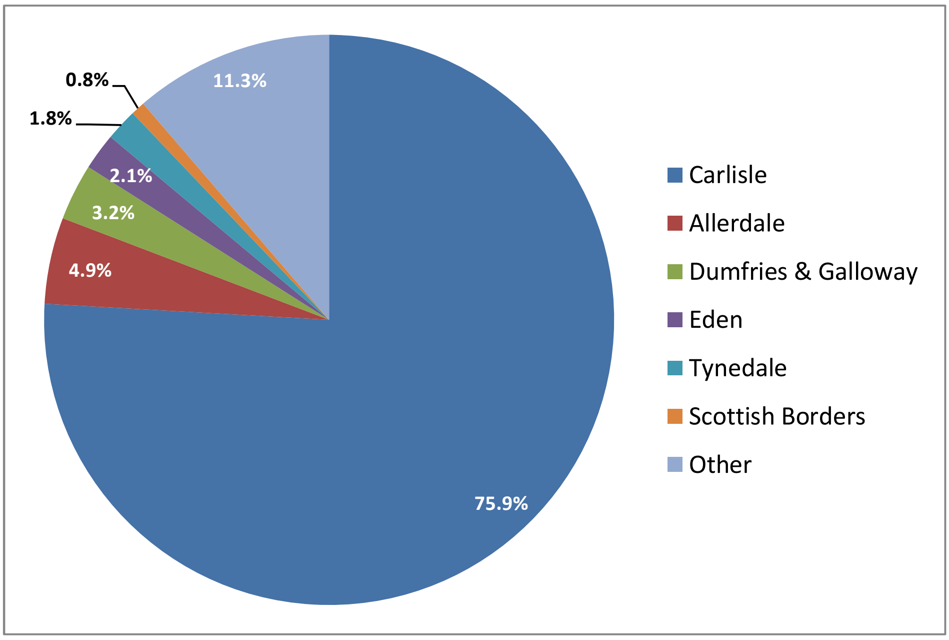
Figure 2: TTW distances for Carlisle working residents (2001)

	No	%	Cumulative %
Less than 2km	14,182	30.3	30.3
2km to <5km	13,016	27.8	58.0
5km to <10km	5,388	11.5	69.5
10km to <20 km	3,890	8.3	77.8
20km to <40km	1,882	4.0	81.9
40km to <60km	601	1.3	83.1
60km and over	1,631	3.5	86.6
Work at/from home	4,645	9.9	96.5
Other	1,623	3.5	100.0

Source: Census, 2001

This picture of relatively constrained commuting is supported by an exercise undertaken in 2008 through the Annual Population Study in which commuting patterns between local authorities were captured. This showed that at that time, 93% of employed residents in Carlisle worked within the district with the remainder travelling to neighbouring districts to work. Looked at from the other angle, ie those whose jobs are located in Carlisle, 75% were resident in Carlisle, whilst 6% were attracted in from Allerdale and 3% from Dumfries & Galloway. Both APS and the Census, showed that there were more jobs located in Carlisle than employed residents – at the time of the 2001 Census, there were 46,500 employed residents and 51,650 people who work in the district.

Figure 3: Place of residence of the Carlisle workforce (2008)



Source: Annual Population Survey, 2008

The evidence therefore suggests a tight economic geography for the city in which the labour market does not extend significantly beyond 20km from the district. However analysing the TTW area is only one component of a functional economic area – other factors which drive economic geography include housing markets, business clustering, retail offer and transport connectivity.

Fame 2012 (location of registered businesses in Carlisle City Council area) demonstrated that the vast proportion of commercial activity by registered businesses takes place in the city centre area, with a higher concentration of businesses clustered in the central core of the city and a limited presence in rural areas. This is similar to most city regions nationwide but does emphasise the restricted nature of the economic geography.

It should be stressed that there are over half a million residents within a one hour drive time of Carlisle city centre. This is a significant catchment given that Carlisle is the principal conurbation within this boundary. However, ultimately, based on the evidence presented, the city is not attracting a significant proportion of this pool of potential employees and visitors. Given that significant retail and leisure activity can be undertaken in proximity to the workplace, it follows that the limited labour market catchment is also limiting the potential market for retail and leisure activities. Further, if TTW patterns are replicated in leisure and retail trips it can be seen that Carlisle is not currently reaching its full economic potential.

Retail statistics (The Lanes Shopping Centre Market Research Report) indicates a total resident population within the principal non-food catchment area of 333,000 and the following shopping populations:

- Primary (stretching north into Scotland), 73% penetration i.e. 90,000 people;
- Secondary (surrounding South of Carlisle and surrounding Penrith), 54% penetration, i.e. 44,000 people;
- Tertiary (covering Workington, Whitehaven and rural areas to the south east and north), 20% penetration, i.e. 26,000 people.

Typical penetration levels for geographically isolated destinations of a similar size to Carlisle are around 51%. The total shopping population for Carlisle, including a pull in figure of 10% for shoppers who use Carlisle but live outside the principal catchment area, is 177,000 (53% average penetration).

It appears then that Carlisle is a "free-standing" city with, for example:

- 78% of residents commuting less than 20km to work;
- A high number of businesses trading largely within Carlisle and Cumbria;
- Competition for retail, culture, nightlife etc. relatively low (due to physical distances).

Whilst this can be seen as a positive and stable position it is equally apparent that Carlisle also struggles to attract income (other than retail) from beyond the district borders. It is clear that a central feature of the potential of Carlisle is to extend its city region influence outwards and capture the benefits of a larger labour pool, a more significant business base and greater retail/leisure footfall into the city centre, based on the extensive population catchment potentially within reach.

Recommendation 1:

CEP gives consideration as to how Carlisle can extend its economic reach to bring more business and consumer spend into the city region.

3.0 ECONOMIC AND DEMOGRAPHIC BACKGROUND

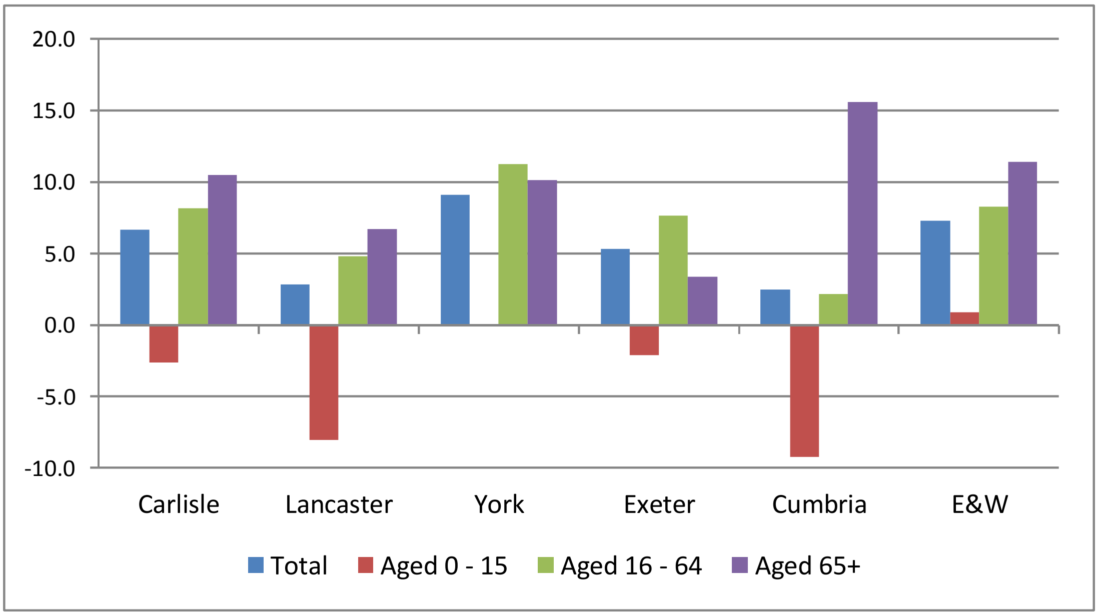
3.1 Demographics and labour market

3.1.1 Population

Carlisle has experienced steady population growth of 6.6% (6,700 people) over the last 10 years – although the longer term trend is a little lower. This rate of growth is slightly behind the national average which saw an increase of 7.3% over the decade.

Within the overall population growth in Carlisle however, there are variations and whilst the last decade has seen growth in the working age and over 65 populations in line with national trends, Carlisle has experienced a decline in the number of 0-15 year olds, down by 2.6% (500 people) compared to very small growth nationally (0.7%). Clearly this has implications for the labour market as this age group will supply the next generation of economically active people. The issue of net outward migration of young people has been consistently raised during the preparation of this study and warrants further examination.

Figure 4: Population change by age 2001-2011



Source: ONS Mid Year Estimates (adjusted for 2011 Census)

The demographic position is a particular issue for the future as Carlisle is likely to reflect the national picture in which an ageing community reduces the working age population – but in the case of Carlisle migration inflows and 0-15 population growth are not currently compensating. (Section 4.2 contains the latest ONS population projections for Carlisle.)

A possible factor contributing to Carlisle's gap with the national position is the limited level of in-migration which has been lower than elsewhere in the UK, in particular the 2011 Census shows that just 4.9% of Carlisle residents are born overseas compared to 13.4% for England & Wales. Carlisle also has a lower proportion of its population in every ethnic group apart from British white than the average for England and Wales – in the 2011 Census, 5.0% of Carlisle residents were non British white compared to 19.5% nationally.

3.1.2 Labour market

Figure 5 below sets out details of Carlisle's labour market, alongside the picture in comparator cities. Particular issues highlighted by these figures include the high proportion of economically inactive working age people who are looking after family, long term sick or retired. Clearly these numbers present issues for our future economic potential.

Figure 5: Working age population (Oct 2011-Nov 2012)

	Carlisle	Lancaster	York	Exeter
Working age population (16-64)	66,900	89,400	139,300	78,800
% 16-64 who are economically active	56,900	64,700	115,200	61,600
	85.0	72.4	82.7	78.2
% 16-64 are employed	53,300	59,400	108,500	60,000
	79.6	66.5	77.9	76.1
% 16-64 who are economically inactive	10,100	24,600	24,100	17,200
	15.0	27.6	17.3	21.8
% of ec inactive looking after family/home	2,200	6,100	4,700	2,200
	21.4	24.8	19.3	12.9
% of ec inactive long-term sick	2,500	3,100	2,500	2,300
	24.5	12.5	10.4	13.2
% of ec inactive retired	3,000	4,200	4,500	2,200
	30.2	17.0	18.8	12.9
% of ec inactive who want a job	2,000	4,300	5,000	2,500
	20.3	17.6	20.6	14.8
% of ec inactive who do not want a job	8,000	20,300	19,200	14,600
	79.7	82.4	79.4	85.2
JSA Claimants	2,068	2,734	2,850	1,871
	3.0	3.1	2.2	2.3
JSA claimants aged 18-24	585	755	685	520
	6.2	3.9	2.5	2.7
JSA claimants aged 25-49	1,130	1,530	1,660	1,025
	3.2	3.7	2.5	2.6

Source: Annual Population Survey (NB: this is a sample survey and figures may differ from Census)

Recommendation 2:

The CEP should consider conducting further research into the long term economically inactive to establish potential partnership actions.

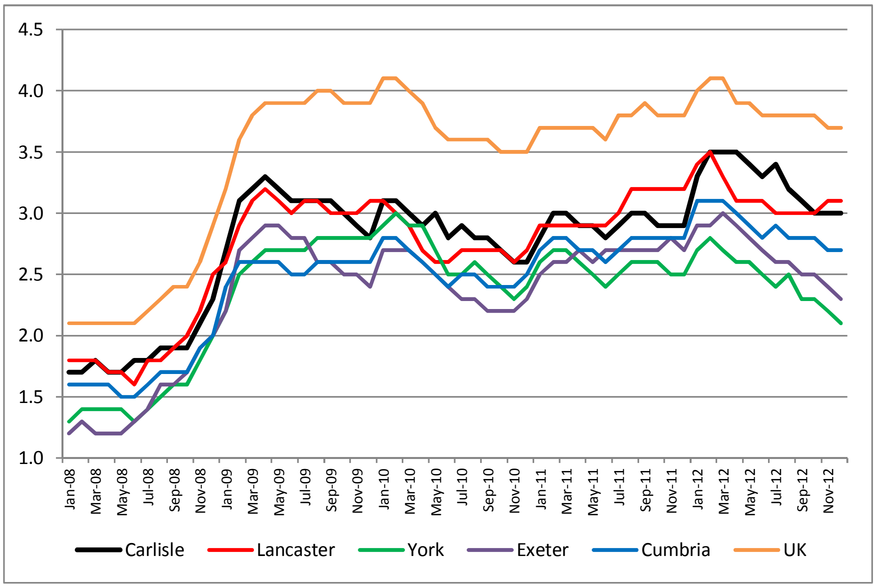
Recommendation 3:

Conduct further research into outmigration of young people from Carlisle to establish potential partnership actions.

Historically claimant unemployment rates in Carlisle have been below the UK and regional average and analysis of Carlisle's employment sectors demonstrates a relatively broad industrial base with a number of comparative strengths for the city.

Carlisle's claimant unemployment rate in Dec 2012 was 3% (2,065 people) which is below the national rate of 3.7% but above the average for Cumbria (2.7%). The rate has risen from the pre-recession level of 1.7% but has fallen in recent months from a high point of 3.5% in Feb 2012.

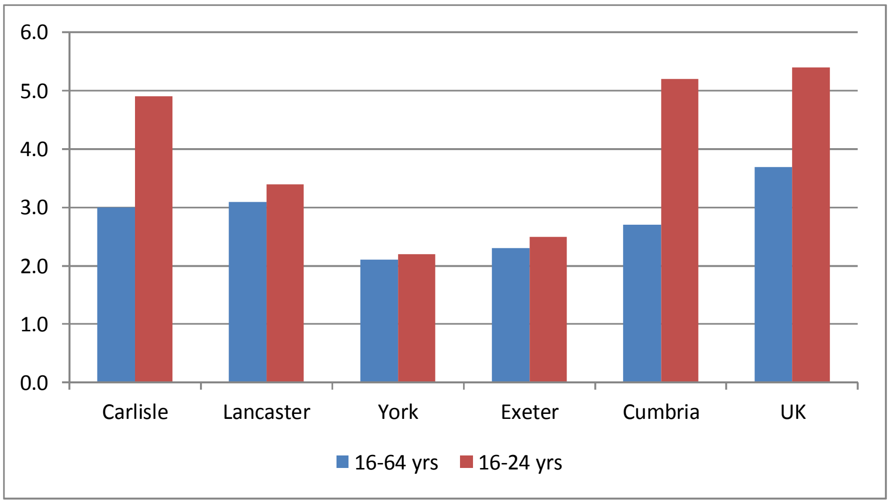
Figure 6: JSA Claimant rate Jan 2008-Dec 2012



Source: ONS via Nomis

Despite the overall claimant rate in Carlisle being above the county average, youth unemployment rates are slightly below, although this is due more to higher than average rates elsewhere in the county rather than Carlisle's being particularly low. Nevertheless, youth unemployment is persistently higher than in other age groups and presents a challenge to employers and to training, education and advice providers.

Figure 7: Youth unemployment rates, Dec 2012



Source: ONS via Nomis

Whilst the recession has undoubtedly had a negative impact, Carlisle has maintained a higher than average proportion of residents in employment (an average of 76% over the past 3 years in Carlisle compared to 70% for the UK). This partly reflects the city's diversified economy and also the proximity to major transport links such as the M6 and West Coast Mainline enabling residents to access employment opportunities beyond the district boundary. In relation to employment opportunities located within the area, there was a fall of 4.9% in workplace employees in Carlisle between 2008 and 2011 compared to a fall of 1.6% nationally. As Figure 8 shows, manufacturing declined slightly less than nationally but employment in the construction, retail, property and arts & recreation sectors contracted more sharply than nationally. Conversely, there was a rise of public administration employment in Carlisle compared to national decline, although some of this may be due to changes to outsourcing arrangements rather than genuine jobs growth. Employment in wholesale and in accommodation & food also increased above national trends.

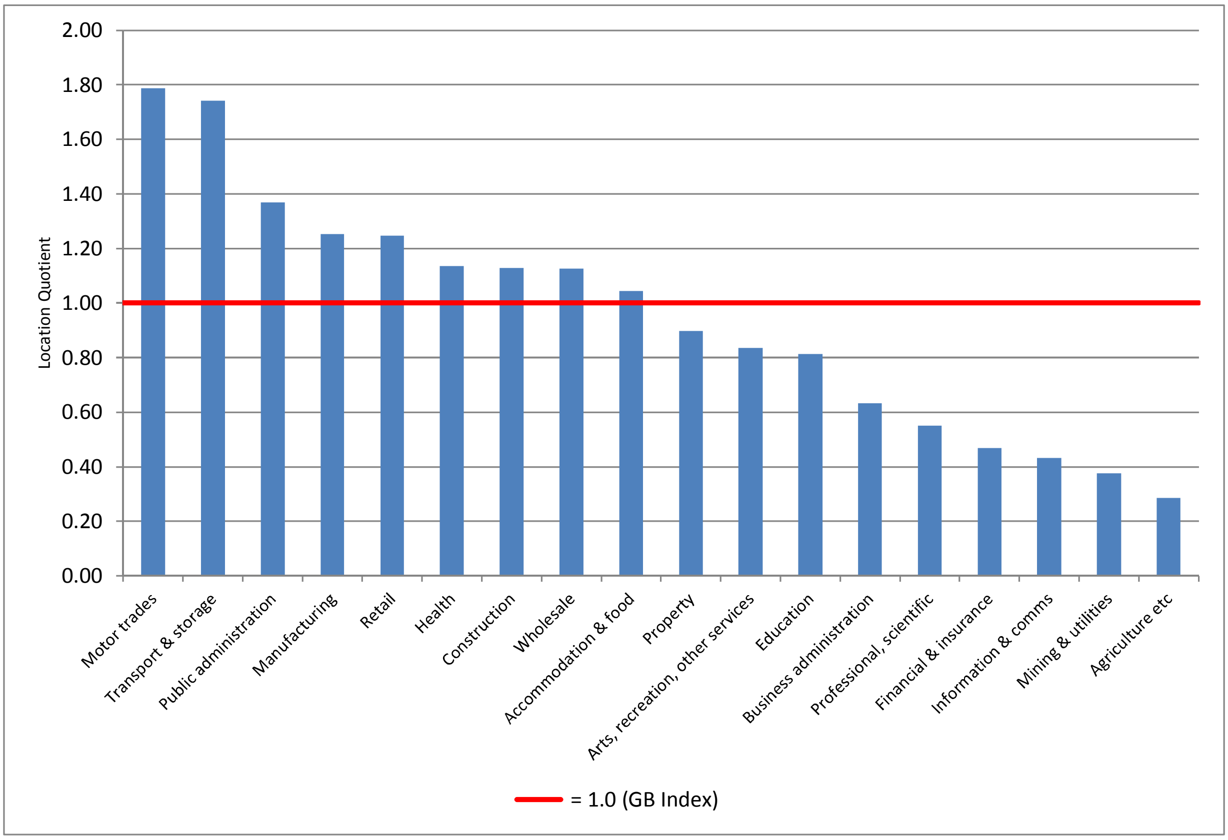
Figure 8: Employees in employment 2011 and change from 2008

	Carlisle		% Chg from 2008		
	Employees 2011	Chg from 2008	Carlisle	Cumbria	GB
Agriculture etc	108	48	80.0	8.1	-9.8
Mining & utilities	247	-207	-45.6	-13.9	16.9
Manufacturing	5,508	-456	-7.6	2.4	-8.3
Construction	2,599	-450	-14.8	-3.0	-10.8
Motor trades	1,573	-184	-10.5	-5.4	-2.6
Wholesale	2,307	313	15.7	10.3	-3.6
Retail	6,408	-613	-8.7	-5.2	-3.4
Transport & storage	4,007	21	0.5	-5.3	-3.0
Accommodation & food	3,577	236	7.1	9.2	-1.1
Information & comms	853	-243	-22.2	-8.9	3.1
Financial & insurance	924	-104	-10.1	-5.1	-6.1
Property	689	-353	-33.9	-19.4	5.8
Professional, scientific	2,008	-16	-0.8	6.6	5.3
Business administration	2,597	-433	-14.3	-2.5	-4.5
Public administration	3,591	511	16.6	11.2	-3.8
Education	3,857	-260	-6.3	-7.2	-0.3
Health	7,543	-5	-0.1	10.1	6.9
Arts, recreation, other services	1,900	-406	-17.6	-29.5	-2.9
Total	50,294	-2,603	-4.9	-0.6	-1.6
NB: Dataset does not include farm based agriculture or any self employment					

Source: ONS, Business Register Employment Survey (BRES)

Using the same dataset, Figure 9 shows how the industrial structure of workplace employment in Carlisle varies from the national picture by using location quotients. Sectors above the red line are those where Carlisle has relatively more employees than the Great Britain average and those below are ones where the area has relatively fewer. It can be seen from this that Carlisle has relatively more employees in motor trades, transport, public administration, manufacturing and retail but relatively fewer in business support, finance, IT and professional & scientific services.

Figure 9: Concentration of employment in Carlisle by sector compared to GB, 2011



Source: ONS, Business Register Employment Survey (BRES)

Workplace figures on occupations are not available but the Census 2011 provides data on the occupations held by residents in Carlisle. The structure reflects Carlisle's manufacturing heritage with skilled trades and process workers representing a higher proportion of the workforce than England & Wales and other comparator areas. Plant, process and machinery occupations represent 11.8% compared to 7.2% for the UK, while 13.7% of residents are employed in skilled trades compared to 11.5% in England & Wales.

The proportion of employees involved in management or senior positions combined with the proportion of people involved in professional occupations however is relatively low (21.4% compared with a UK average of 29.2%). The gap widens further if associate professional staff are included (30.7% Carlisle against 40.9% for E&W). Clearly this presents some issues when considering residents' salaries, disposable income and spending power. The relative lack of opportunities in senior management and professional roles may also be an issue in attracting new businesses and in persuading professional people to move into the area, particularly if employment for their spouse may also be an issue.

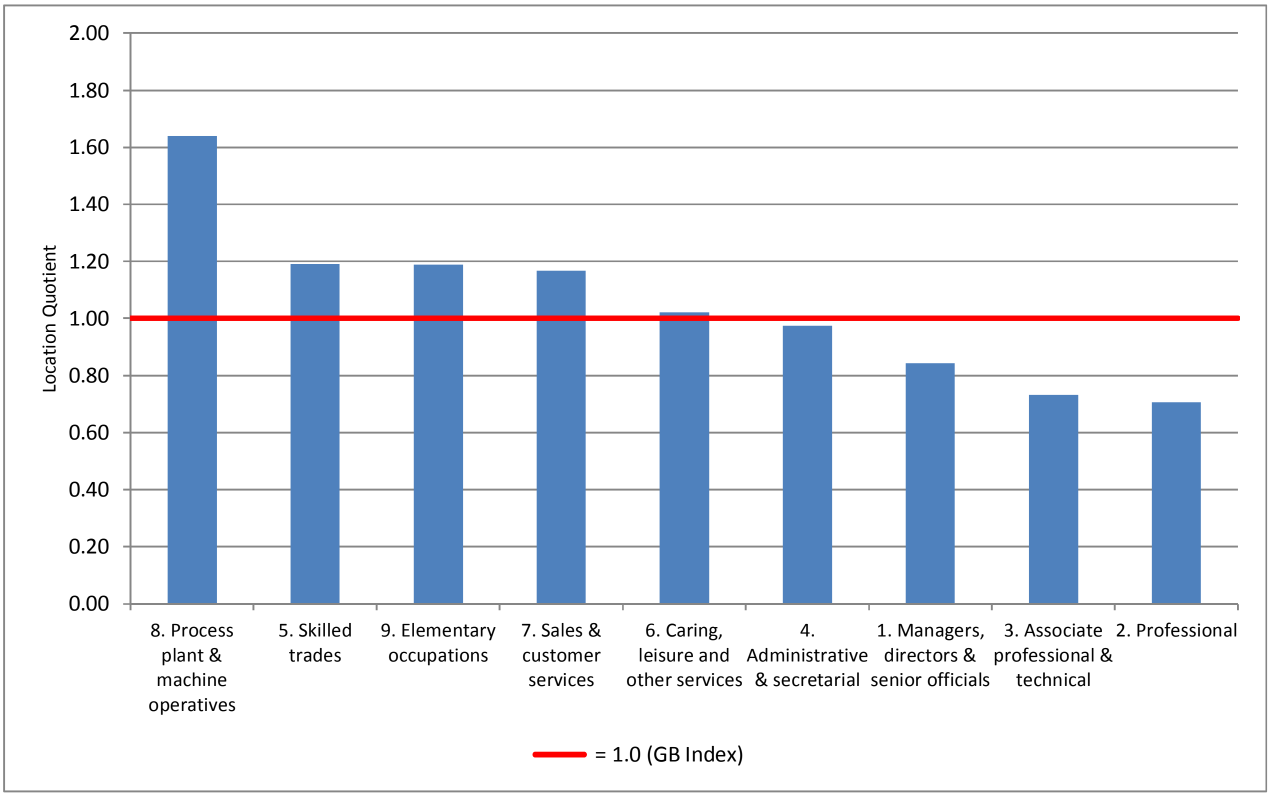
Figure 10 shows the number of residents in Carlisle by occupation and the relative proportions in comparator areas whilst Figure 11 shows a location quotient indexed on the England & Wales proportion of employed residents. As with Figure 9, items above the red line indicate a higher than average concentration in Carlisle than in the country as a whole.

Figure 10: Occupations of resident population, 2011

	Carlisle		Lancaster	York	Exeter	Cumbria	E & W
	No	%	%	%	%	%	%
1. Managers, directors & senior officials	4,925	9.1	9.3	10.5	8.4	10.3	10.8
2. Professional	6,638	12.3	18.1	20.1	19.2	14.0	17.4
3. Associate professional & technical	5,010	9.3	10.8	12.1	11.6	9.7	12.7
4. Administrative & secretarial	5,978	11.1	9.7	10.4	11.3	9.8	11.4
5. Skilled trades	7,402	13.7	12.3	10.0	10.2	16.2	11.5
6. Caring, leisure & other services	5,164	9.6	12.1	9.1	9.7	9.7	9.4
7. Sales and customer services	5,267	9.8	8.9	10.4	11.1	8.6	8.4
8. Process plant & machine operatives	6,366	11.8	6.9	5.7	5.9	9.4	7.2
9. Elementary	7,124	13.2	12.0	11.7	12.5	12.4	11.1
All Occupation	53,874						

Source: ONS, Census 2011

Figure 11: Concentration of Carlisle residents' occupations compared to E&W, 2011



Source: ONS, Census 2011

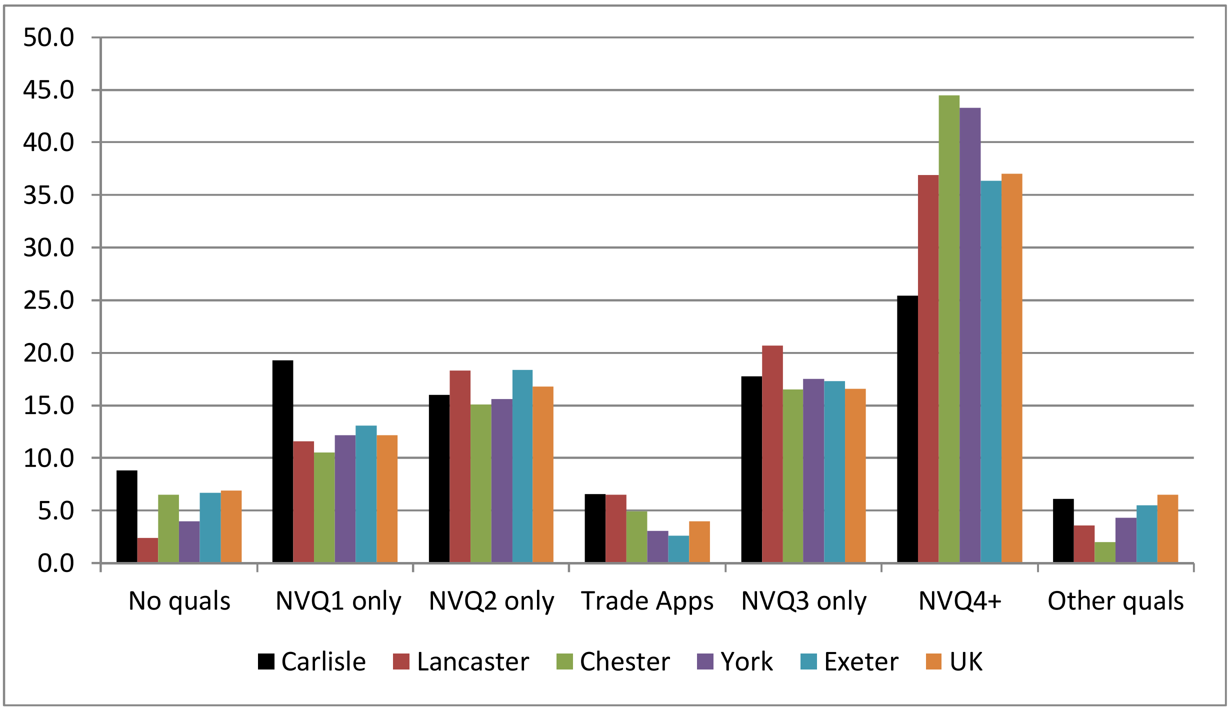
Recommendation 4:

The CEP should carry out research into the footprint and nature of manufacturing in Carlisle and derive issues opportunities from this.

3.1.3 Qualifications

A similar economic pattern is also reflected also in a comparison of qualification levels (Figure 12) with Carlisle significantly behind comparator cities and the UK average in the proportion of the economically active population qualified to NVQ4+ skills and with substantially more having no or only low level qualifications than in comparator areas.

Figure 12: Highest qualification level of economically active population, 2011



Source: ONS, Annual Population Survey

The make-up of occupations and relatively low skill levels are likely to be a significant contributing factor in average wages, which are also relatively low (Figure 13). Median full time gross weekly pay for Carlisle residents is £421 which is significantly lower than the national average of £506. In common with other areas, there is a discrepancy between male and female earning with median full time earnings for male residents in Carlisle running at 121% of those for females living in the area.

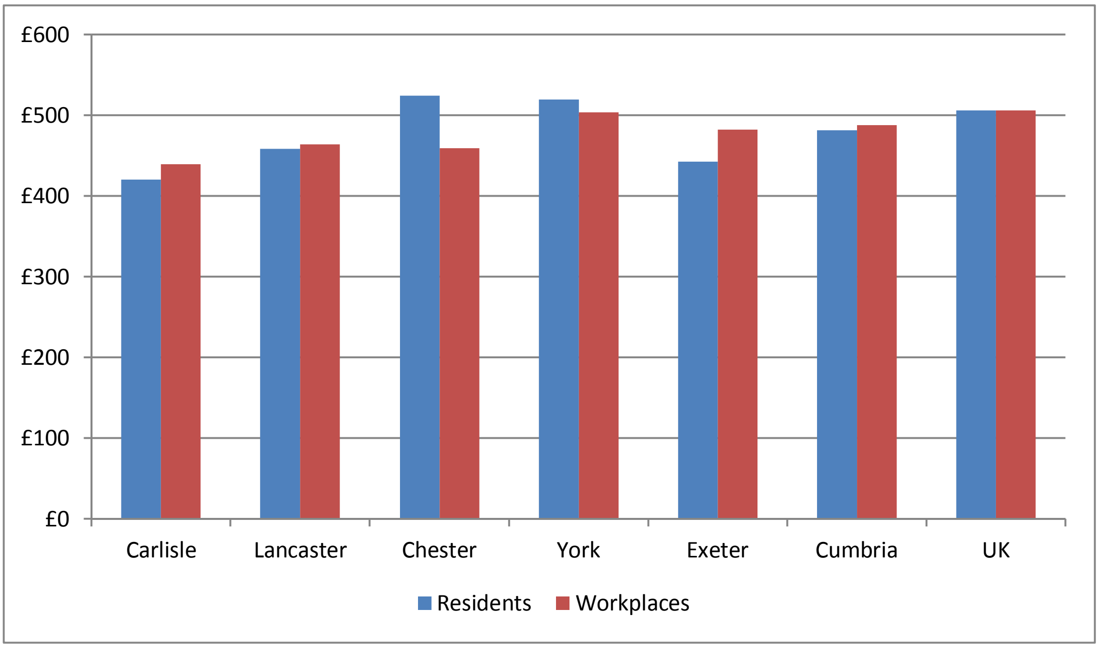
Figure 13: Median full time gross weekly earnings, 2012

	Carlisle	Lancaster	Chester	York	Exeter	Cumbria	UK	Carlisle as % UK
Residents								
All Full Time	£421	£459	£525	£519	£443	£481	£506	83.2
Male Full Time	£462	£501	£594	£540	£468	£525	£546	84.6
Female Full Time	£383	£405	£456	£462	£401	£395	£449	85.3
Workplaces								
All Full Time	£440	£465	£459	£504	£482	£488	£506	86.9
Male Full Time	£492	£492	£500	£548	£527	£544	£546	90.1
Female Full Time	£390	£439	£423	£424	£416	£393	£449	87.0

Source: ONS, Annual Population Survey

As Figure 14 shows, earning for workplaces located in the Carlisle area are slightly higher than for residents living in the area but still run substantially below the national average and below those in the other comparator areas.

Figure 14: Residence v workplace median gross weekly earnings, 2012



Source: ONS, Annual Survey of Hours and Earnings (ASHE)

3.1.4 Skills

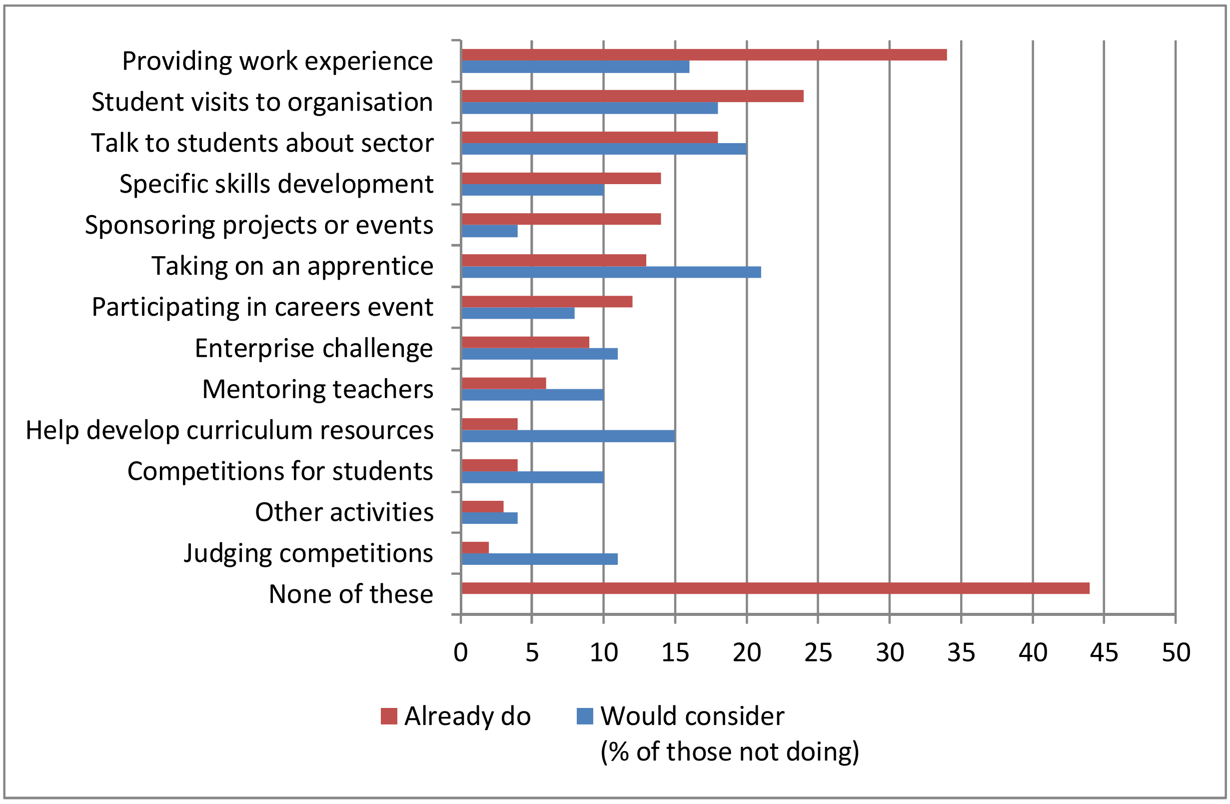
The Cumbria Business Survey 2011 asked businesses whether there were people working in their business who were not as wholly skilled or competent as the business would like them to be and 13% of Carlisle based respondent businesses reported that this was the case. In terms of the nature of the gaps, technical, practical and sector specific skills, customer handling, oral communications, written communications, IT and sales and marketing were mentioned most frequently. Although the sample size was relatively small, this picture was reflected in other areas of the county and also in other research (such as LEP Expert Groups) which also point to particular issues recruiting graduates and staff with higher level skills.

The Cumbria Business survey also asked from which groups Carlisle businesses prefer to recruit when they have a vacancy, showing the most popular groups to be experienced workers (62%), followed by the unemployed (34%), school leavers (29%), apprentices (28%), graduates (26%) and workers from overseas (18%).

Anecdotally businesses have reported a preference for employing graduates over school leavers for non-graduate jobs given their relative maturity and enhanced skills, which in the current climate are available at the same wage rates as school leavers. This can be expected to change moving forward as changes to tuition fees discourage more young people from entering university.

The Cumbria Business Survey indicates that around 59% of Carlisle based businesses currently work with schools and colleges in some way. The most likely activities were providing work experience opportunities (34%) and hosting student visits to the business (24%). Where businesses weren't already involved in an activity, there was most interest in taking on an apprentice, talking to students or hosting visits.

Figure 15: Business involvement with schools/colleges, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey 2011

Recommendation 5:

City partners establish a commission for education and skills development to focus on key areas of underachievement.

Recommendation 6:

The proposed Education commission also focusses on improving business/education links to improve awareness and understanding of the opportunities for and employability of young people.

3.2 Demand

Figure 16 indicates the key customer groups to which businesses in Carlisle provide products and services (caution small sample sizes at district level). This demonstrates that over three quarters of businesses in Carlisle sell or provide services to domestic customers and that for just over half, this is their main customer group. Almost two thirds cited other private sector businesses as a customer group and nearly a quarter said this was their main customer group. Tourists were a customer group for 44% of Carlisle businesses and the main group for 9%.

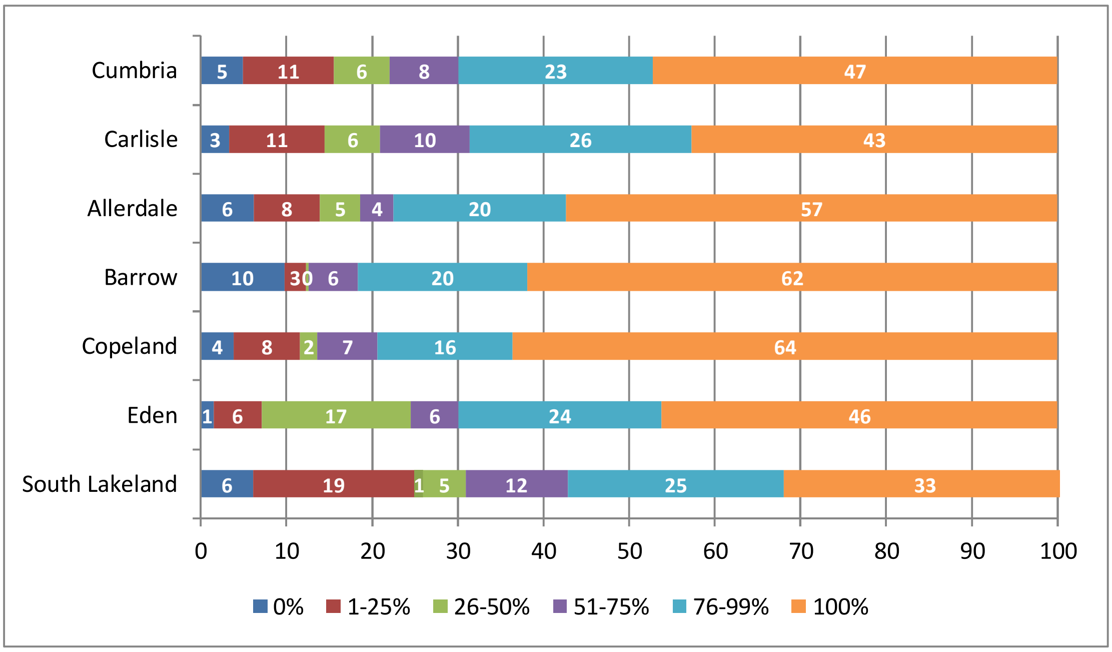
Figure 16: Customer types, 2011

	Sample base	Domestic/ industrial customers		Tourists visiting Cumbria		Public sector organisations		Organisations in nuclear industry		Other private sector	
		All	Main	All	Main	All	Main	All	Main	All	Main
All Cumbria	672	78	55	42	9	32	5	12	2	54	23
Carlisle	**140**	**76**	**51**	**44**	**2**	**47**	**7**	**13**	**0**	**61**	**27**
Allerdale	127	79	59	43	7	35	8	13	3	51	16
Barrow	52	86	73	26	0	34	6	15	1	49	17
Copeland	64	77	50	29	8	31	6	27	8	52	25
Eden	95	59	34	34	8	18	3	5	0	64	43
S. Lakeland	194	88	64	57	17	26	4	8	*	48	14

Source: Cumbria Intelligence Observatory, Cumbria Business Survey 2011

The survey also indicates the proportion of sales estimated to be within Cumbria and the estimated share of sales in different areas, (Figures 17 and 17 respectively) showing that the local market continues to be of prime importance to Carlisle businesses.

Figure 17: Proportion of sales estimated to be within Cumbria, 2011)



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Figure 18: Estimated mean share of sales (%) by area, 2011)

	Within Cumbria	Within NW	Rest of UK	EU (excl UK)	Outside EU
All (672)	74%	9%	8%	1%	1%
Carlisle (140)	**74%**	**10%**	**7%**	**1%**	**1%**
Allerdale (127)	79%	4%	11%	1%	1%
Barrow (52)	82%	11%	2%	1%	1%
Copeland (64)	82%	3%	7%	2%	1%
Eden(95)	76%	8%	6%	1%	1%
South Lakeland (194)	65%	13%	12%	1%	1%

Source: Cumbria Intelligence Observatory, Cumbria Business Survey (sample sizes in brackets)

These figures flag a concern over low sales outside the county and internationally. There is a need to review these against other locations and in the light of sectors surveyed but there would seem to be significant potential to grow sales outside of county and internationally.

The Cumbria Business Survey also shows high levels of autonomy in decision making in Carlisle, but crucially some significant multi-site operators are dependent on national and international decisions (reflecting the nature of the business base).

Recommendation 7:

The CEP conducts further research to establish the potential (within key sectors) for improving "exports" (domestic and international) and establish support to ensure that products and services with identified potential reach new markets beyond Cumbria and the UK.

3.2.1 Tourism Demand

The (STEAM) Scarborough Report 2011 shows tourism revenue in the Carlisle City Council area as £362.6m, 4% lower than the previous year. Analysis of expenditure by sector is shown in Figure 19 and estimated employment supported by tourism is shown in Figure 20. Clearly tourism activity (in all its forms) plays an important part in Carlisle's economy.

Figure 19: Analysis by sector of expenditure, 2011

Sector	2011 expenditure (£m)	2010 expenditure (£m)	% change
Accommodation	24.4	26.1	-6
Food & drink	66.7	70.6	-6
Recreation	35.6	39.7	-5
Shopping	52.5	55.5	-5
Transport	44.9	47.8	-6
Total Direct Revenue	226.1	239.7	-6
Indirect revenue	91.2	94.6	-3
VAT	45.2	41.9	8
Total	362.6	376.2	-4

Source: Cumbria Tourism STEAM model

Figure 20: Estimated tourism-supported employment by sector in Carlisle, 2011

Sector	Employment 2011	Employment 2010	% change
Accommodation	743	729	2
Food & drink	1,259	1,284	-2
Recreation	861	877	-2
Shopping	903	920	-2
Transport	379	388	-2
Total direct employment	4,145	4,198	-1
Indirect employment	1,113	1,134	-2
Total	5,258	5,332	-1

Source: Cumbria Tourism STEAM model

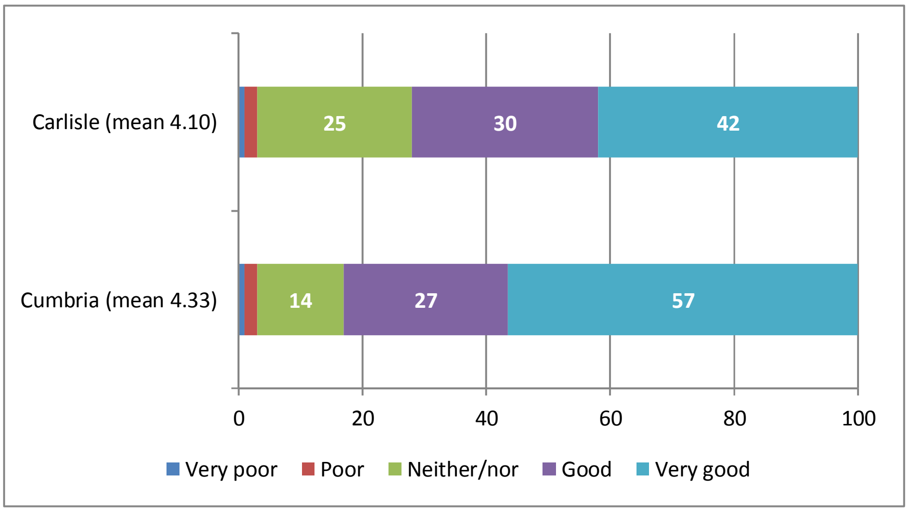
Recommendation 8:

The CEP explores with partners a reviewed tourism strategy that is in keeping with developing the city as an historic destination

3.3 Desirability

When rating the attractiveness of the area, the majority of Carlisle businesses rate the area as good or very good (72%). This proportion is lower than the average for the county as a whole (82%), although this is not entirely unexpected given the rural nature of much of the rest of the county and Carlisle's mean score of 4.10 is only just below the county mean of 4.33.

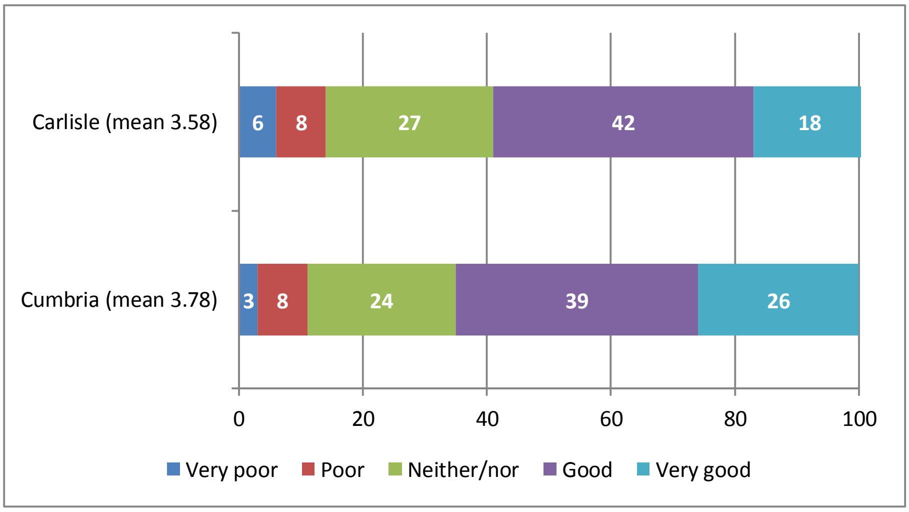
Figure 21: Business rating of attractiveness of area, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

When asked about the city as a place to do business however only 18% rate Carlisle as very good (Figure 22) – significantly less than the figure for Cumbria as a whole (26%) and these figures suggest that there may be more Carlisle can do to promote the area as a place to do business.

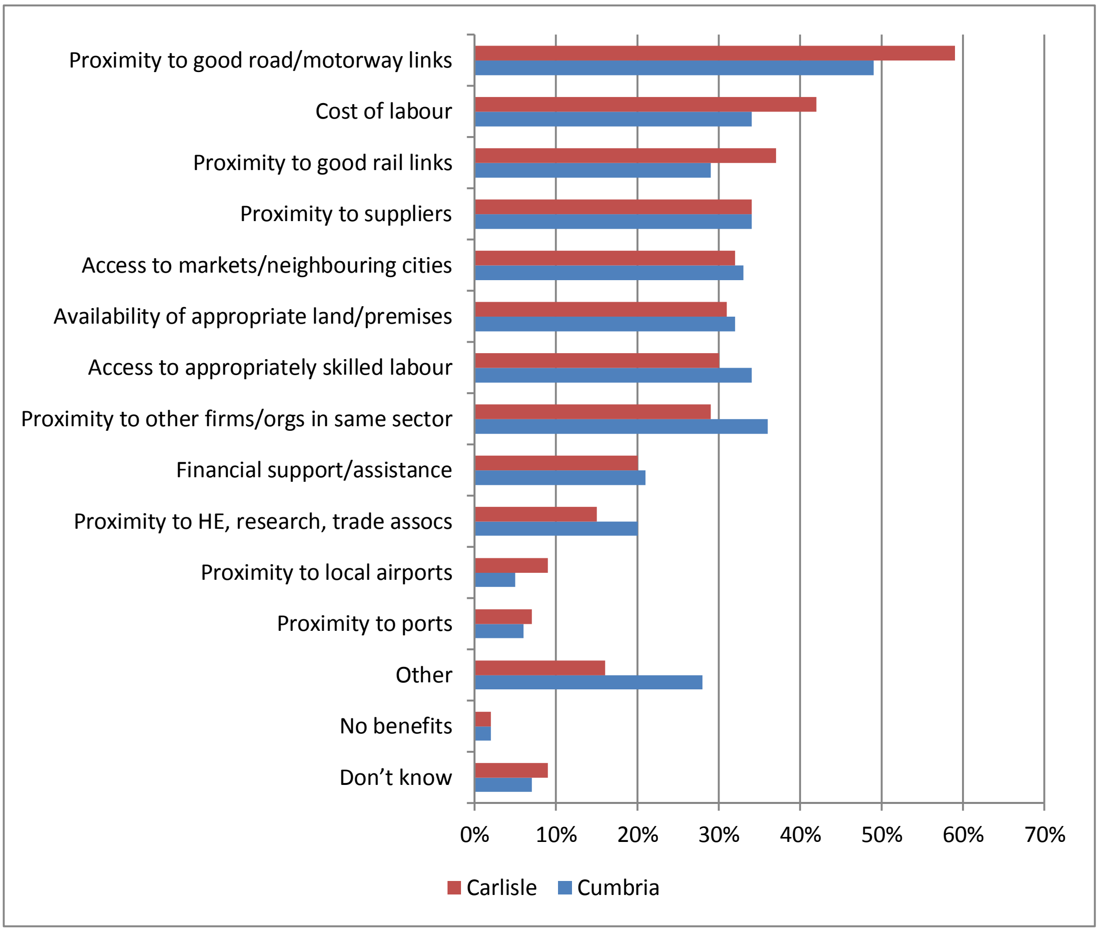
Figure 22: Business rating of area as a place to do business, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Businesses were also asked what they perceived to be the main benefits of being located in Cumbria. For respondents in Carlisle, the principal benefit was the proximity to good road/motorway links, followed by the cost of labour and proximity to good rail links. Businesses in Carlisle were less likely than average for Cumbria to mention appropriately skilled labour, the proximity to other firms/organisations in the same sector and the proximity to HE, research and trade associations (perhaps surprising given that the University of Cumbria main campus is in the City).

Figure 23: Perceived main benefits of being located in Cumbria, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Other feedback indicates that important issues include quality of life, environment, housing, broadband access and speed, quality of schools, healthcare, transport links and jobs for spouses.

The median house price in Carlisle in 2012 was £123,604 which is 71.5% of the national average of £172,706. Despite the fact that average earnings and average household incomes are also slightly lower in Carlisle, the mean house price to household income ratio in the area is substantially better than the national average at 4.7 (UK 6.1) indicating that housing affordability is less of an issue than in some other areas and should not act as a major barrier to economic growth.

Recommendation 9:

The Cumbria Economic Partnership develops a focussed campaign to further Carlisle's image as a place to visit, learn do business and invest.

3.4 Innovation and enterprise

The recorded rate of new registrations for VAT/PAYE in 2012 in Carlisle was comparatively low at 42.8 per 10,000 working age population, compared to 50.6 for Cumbria and 63.9 nationally. The rate of de-registrations was higher however (61.6 in Carlisle, 57.3 in Cumbria and 56.2 nationally).

However, the “survival” rate to 3 years for businesses first registered in 2008 was higher than the national average (64.8 in Carlisle, 58.0 nationally).

This mixed picture persists despite on-going activity to drive enterprise. However over the course of 2012 the city has been able to build a comprehensive package of start-up support, this crucially includes significant marketing and engagement funding (not included locally within the previous programme) which should pay dividends. This suite of support includes:

- BSUS start-up support (including ERDF funding) for disadvantaged and under-represented groups;
- New Enterprise Allowance with mentoring for unemployed people (initially the longer term unemployed, with eligibility now from day one);
- Carlisle City Council funded support for those not eligible for BSUS;
- Support for growth start-ups not eligible for BSUS through the Business Growth Hub;
- The development of a new Business Interaction Centre led by the University of Cumbria.

This support is delivered in Carlisle by the Chamber of Commerce, working with partners elsewhere in the county for BSUS and for specialist support to rural women and social enterprises. Activities include development of specific support offers to university students and tutorial sessions to raise awareness of the options and implications with Carlisle College students.

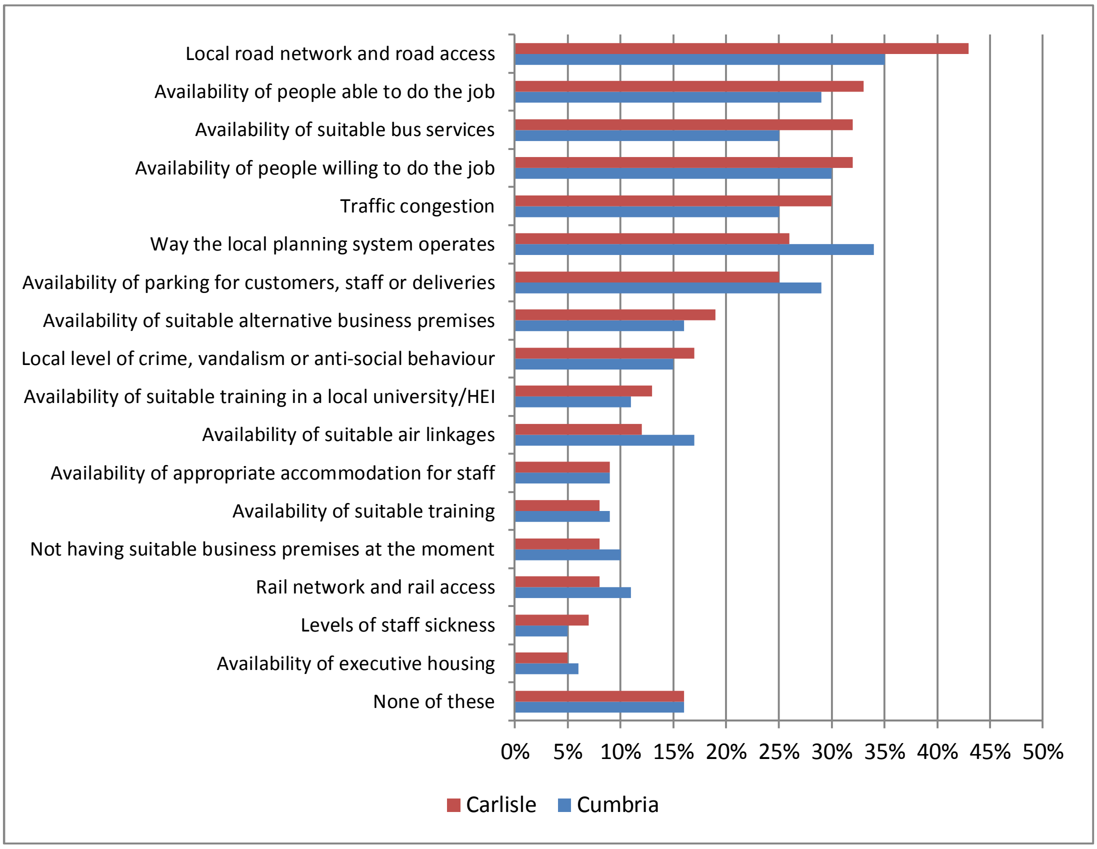
Businesses in their first three years of trading can be supported through BSUS provided they have not been supported through that programme to start up – others with growth potential can now be supported via the Growth Hub.

Recommendation 10:

The CEP develops clear actions for improving the number of new start-ups from all sectors, but particularly focussed on high growth.

When questioned as part of the Cumbria Business Survey, Carlisle businesses quoted a number of perceived barriers to business performance and efficiency (Figure 24). Most frequently mentioned by businesses in Carlisle were the local road network and access, availability of people able and willing to do the job, availability of suitable bus services and traffic congestion. (NB: survey was conducted prior to the opening of the CNDR.) The planning system was also mentioned by a quarter of Carlisle businesses, although this is a lower proportion than elsewhere in Cumbria and further evidence from the survey indicates that many cite planning without having any direct experience of the system.

Figure 24: Perceived significant barriers to business performance and efficiency, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

From November 2012 support to existing businesses will be centred on the Business Growth Hub, this will have its key physical presence for the county in Carlisle and is integrated with Cumbria's new Rural Growth Network. The Growth Hub will support growth and competitiveness of Cumbrian businesses, helping to unleash the potential of Cumbria's businesses, acting as a focal point for businesses that wish to be sustainable, increase their competitiveness and grow, driving activity, providing a focus for access to support and providing relevant support and programmes, complementing and referring into what currently exists. Partners will work together to offer a coherent package of support throughout Cumbria, through online, face-to-face and telephone activity, with support for each individual client based on a review and action plan and built around their individual needs, drawing on a range of support available within and out with the project.

In addition support offered directly through the Growth Hub businesses will be linked into support available through UKTI international trade, Manufacturing Advisory Service, North West Fund, Access to Finance, Regional Growth Fund.

Recommendation 11:

The CEP and Carlisle City Council ensures that maximum value is gained for the Growth Hub/Rural Growth Network/Business Interaction Centre by aligning communications, monitoring and agreeing a pathway for growing and securing established businesses.

3.5 Connectivity

While road access has been significantly improved by the Carlisle Northern Development route (CNDR) there is still more to do, particularly on parking in the city centre, for retail and leisure customers and for staff. As set out in Figure 22, 59% of Carlisle's businesses cite proximity to good road/motorway links as a benefit of being located in Carlisle, 32% access to markets/customers and 37% proximity to good rail links, demonstrating the benefits of the M6 corridor location and indicating further opportunities. However, as Figure 23 demonstrates, parking and other traffic related issues are cited by businesses as a barrier to efficiency and are also often cited as a contributory factor in businesses moving out of the city centre.

There is also potential for improved rail freight links with nuclear industry and other sub-regional businesses and as yet untested opportunities for air transport.

Future 'connectivity' assessments have now also included perceptions and facts about access to high speed, reliable broadband. Cumbria Business Survey questioned businesses in some detail on their broadband experiences and views on current and future needs (Figures 25 and 26).

Figure 25: Broadband satisfaction and experience, 2011

	Carlisle	Cumbria
Speed	37%	44%
Price	49%	50%
Reliability	52%	61%
Customer service	54%	50%
Overall	57%	55%
Mean cost per month	£22	£29
Pay for broadband of speed greater than 10Mbps	27%	29%
Receive broadband greater than 10Mbps	22%	16%

Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Figure 26: Opinions on broadband speeds, 2011

	Carlisle	Cumbria
Current broadband speed is adequate for all our needs in the next 2–5 years	29%	40%
A higher speed connection is critical to our future business	43%	39%
The lack of a high speed connection will put future business at risk	30%	25%
We are currently losing out to competitors who have access to faster broadband	19%	16%
We would move to another location to have access to genuinely high speed broadband	3%	3%
If an upgrade is made to the broadband infrastructure at an affordable cost we would be highly likely to take up the service	56%	62%

Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Countywide more than half of businesses were looking to upgrade broadband speeds in the next three years, with the proportion highest amongst businesses that already pay for a fast connection (68% of those with a speed greater than 30Mbps). In Carlisle 56% of those who already have broadband would like to upgrade to a higher speed. If these findings were grossed up to the whole business population, this would represent approximately 2,200 businesses in Carlisle looking to upgrade at the time of the survey and 11,500 across the whole of Cumbria. Around half of these would like to upgrade to speeds between 10 and 50 Mbps, although 14% of Carlisle businesses looking to upgrade would be satisfied with 2-10 Mbps which is more than twice the county average and indicates the scale of the issue with slow speeds in Carlisle at the time of the survey.

Figure 27: Businesses wanting to upgrade to higher broadband speeds, 2011

	Carlisle	Cumbria
Would like to upgrade	56% (2,183)	55% (11,564)
Speed would like to upgrade to:		
2-10 Mbps	14.2	6.1
>10 – 30 Mbps	29.4	30.9
>30 – 50 Mbps	18.6	13.8
>50 – 100 Mbps	12.4	4.6
>100 Mbps	8.2	11.9
Don’t know	17.2	32.6
Price per month would be prepared to pay:		
>£1,000	0.0	0.3
£500 - £749	0.0	0.1
£250 - £499	0.9	0.3
£100 - £249	0.0	3.0
£50 - £99	5.1	4.0
£25 - £49	43.1	35.1
< £25	41.6	40.6

Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Recommendation 12:

The CEP carries out mapping of broadband provision and uptake across Carlisle and works with any relevant parties to improve provision for and uptake by Carlisle businesses.

3.6 Environment and infrastructure

Many of the strengths of the city are closely associated with its physical offer. Carlisle itself is a cathedral city with hundreds of years of heritage, with key assets associated with its retail offer, transport connections including the M6 and west coast main line and extensive green space.

The Carlisle City Council area takes in around 1000 sq. km of attractive rural landscape which borders the Lake District National Park and World Heritage site of Hadrian’s Wall.

The former Regional Economic Strategy identified Carlisle as one of five earmarked growth areas. Its ambition to grow sustainably has also been clearly articulated within planning exercises such as the M6 Corridor Employment Land Study which acknowledged the need to balance ambitious targets for population and housing growth with economic opportunities. In this regard the study attempted to understand the outlook for employment sites along with implications for residential and commercial development within spatial areas of the city centre, M6 corridor and rural Carlisle.

Another key component of Carlisle's offer is its green infrastructure. Accordingly any strategies for growth need to ensure that its green space and other environmental assets are retained and developed. In particular the Green Infrastructure (GI) Strategy for Carlisle highlighted that the city's GI will provide £25.6bn of benefits in the next 50 years, with £3.8bn of this a direct contribution to the city's GVA. The strategy recommends that Carlisle needs to add value to its land based products and tourism experiences and that its wider infrastructure can be used to stimulate economic growth as well as making it more sustainable.

A number of plans and strategies highlight Carlisle's key issues in detail, including Strategic Housing Land Availability Assessment (late 2012 update), City and County Land and Property Disposal and Investment Plans, Housing Need and Demand Study 2011, Employment Land Review 2010, Retail Study 2009 (and 2012 version when complete), Green Infrastructure Strategy 2011, Local Transport Plan 2/3, Connecting Cumbria broadband plans and the Regional Spatial Strategy.

3.7 Housing

There has long been an acknowledgment that housing development is linked to economic growth and this is strongly referenced in the Government's economic strategy which sees as investment in the housing market as one of the key drivers of future economic growth.

Understanding the link between housing demand and economic development is vital, and particularly the role which economic growth may play in influencing in-migration and the profile of housing demand. This is considered to be a two way relationship whereby jobs growth will influence demand, but the quality and choice of housing can influence skills and the attractiveness of the District to employers.

It is more difficult to quantify that relationship and provide evidence of the number of jobs created per house built. There are however strong indicators that the existing population for Carlisle and Cumbria is ageing and it is the characteristics of natural population trends which factor in the economic potential. The population structure in the City is focused on older people when compared with the regional and national position although the District does have a higher proportion of working age compared with Cumbria as a whole.

Taking into account any changes to pension ages and the ability for people to choose to continue working, an ageing population will still lead to a reduction in the total working age population. In order to combat that reduction there will be a need to increase the working age population and ensure that is taken into account in future housing growth.

A realistic assessment of housing need and demand based on current evidence would fall within a range between about 400 and 665 homes per annum. The lower end of this range is based on longer term demographic trends with the higher end relating to supporting economic growth within the District.

The City Council's Housing Need and Demand Study looks at a number of scenarios to meet housing demand. Long-term migration trends would result in a housing requirement of around 8,200 homes. This equates to 410 homes per annum which is below the current housing targets. This level of housing would likely result in a reduction in the size of the workforce as outlined above. Current housing targets are aiming to provide 450 homes per annum which only provides for a modest increase above long-term trend.

The modelling undertaken indicates that around 545 homes would be required each year just to maintain the size of the existing working-age population, and that provision above this level is necessary to support growth in the workforce and employment over the next 20 years. Therefore in order just to maintain stable employment levels an estimated 545 homes per year are required to 2025.

Based on Jan 2011 employment forecasts to 2025, 665 homes are required each year to support forecast economic growth. On this basis the potential to grow the economy is linked to the potential to deliver new housing growth. Delivery of between 545 – 665 homes per annum is equivalent to 1.2 – 1.3% growth in households per annum and is considered achievable if supported by a clear strategy for economic growth and infrastructure delivery.

Whilst affordable housing needs tend to be more clearly defined when determining future housing needs, the needs associated with the economy are less clear cut. Anecdotal evidence from surveys undertaken at the time of the City Council's Housing Needs and Demand Study indicate a need for larger houses to attract new managers to the area. Overall the economic relationship to housing identified through the study is to ensure that there is sufficient housing to enable the working population to meet their housing needs and this would indicate that housing should be provided across all sectors to provide a choice of properties available.

The above forecasts provide an indication of where the City needs to be to address long term economic position for Carlisle. Current delivery of new housing has slowed down as a consequence of the economic downturn (construction rates are shown in the City Council's Annual Monitoring Statement) and whilst a five year supply of housing exists against current targets (450 houses per annum) the work on a new Local Plan will need to ensure that the necessary infrastructure is in place to deliver additional housing.

3.8 Office market

3.8.1 Current position

The most significant factor in the Carlisle office market is that of rental values which range from around £5/sq ft for secondhand/city centre premises to asking rents of around £9–£12 per sq ft for purpose built modern out of town premises. Market sources suggest however that £8–10/sq ft is the maximum actual passing rent being achieved currently.

Fundamentally these rental figures have been driven down to this level by a combination of oversupply and a weak demand, especially over the last two to three years. This level of rent does not allow for either speculative office development or good quality refurbishments to take place. Into the foreseeable future, therefore, any office developments are likely to be self build for owner occupation or developers building to pre-let deals.

Current market conditions also very much favour occupiers, with tenants able to negotiate a range of incentives with landlords and developers. These typically include shorter leases, rent free periods, regular break clauses, and more certainty of setting new rental levels at rent reviews.

The drift away from the city centre has continued leaving in its wake a core of public sector office users such as the City and County Councils, Rural Payments Agency and HMRC local office premises. While there is still a sizeable presence of professional and banking sectors these users are increasingly less numerous. City centre office supply is therefore increasing but the remaining stock is primarily dated and increasingly unsuitable for modern office user needs, and mostly lacks sufficient dedicated car parking for occupier demand. The most significant vacancies are:

- Rufus House, Castle Street – 28,500 sq ft, at around £5/sq ft;
- Exchange House, Cecil Street – 11,000 sq ft;
- Bourne Business Centre, Milbourne Street (new build) - 9,000 sq ft.

Out of town, the oversupply of offices has been taken up slowly but with a limited number of purpose built offices from the development "boom" still to attract occupiers. There have also been some more recent additions in the last two years. The most significant out of town vacancies are:

- 68 Kingstown Broadway – 14,700 sq ft, at £8-50/sq ft;
- Bourne Business Centre , Parkhouse – 9,800 sq ft;
- Clifford Court Business Quarter, Parkhouse - 9,000 sq ft, at £12/sq ft rental or £110/sq ft purchase.

3.8.2 Potential office developments in the pipeline

Kingmoor Park Properties has consent for up to 100,000 sq ft of offices as part of the "Hub" adjacent to the newly opened Carlisle Development Northern Route, which also comprises a new hotel and pub/restaurant. It is understood negotiations are at an advanced stage for an unnamed occupier to enable construction to commence in 2013.

The County Council has announced plans to construct up to 50–60,000 sq ft at a site off Botchergate with a view to consolidate a number of current County Council offices throughout Carlisle, some of which are old converted Victorian houses around Portland Square, into one building. This will mean that the offices vacated will become available or provide opportunities for alternative uses, including conversion back to residential.

The redevelopment of the old Post Office in Warwick Road, now owned by a local developer, offers further potential for up to around 30,000 sq ft of offices and other uses.

3.8.3 Planning for future office development

Within the Local Plan, similar to any new retail development, there is a presumption that offices should be developed in the city centre, and any such proposals will be supported in principle (subject to detailed design and other issues). This is also in line with Government policy in the National Planning Policy Framework.

A number of areas and sites in and immediately adjacent to the city centre could be suitable for offices such as Caldew Riverside (Upper and Lower Viaduct Road Car Parks), but there are no sites that could be classed as ready for development with land assembly issues another issue to be considered.

Out of town there is the Morton Employment Area on Wigton Road, adjacent to the southern end of the CNDR, but this site lacks even basic infrastructure so is some way from being ready for development.

A further site at Rosehill has previously had consent for both a hotel and offices but, due to lack of market interest and change in ownership, this consent has now lapsed.

Recommendation 13: CEP to establish Carlisle's position regarding investment and external funding.

Recommendation 14: CEP works to establish the factors that attract and dissuade businesses and lenders from investing in Carlisle.

Recommendation 15: Carlisle Economic Partnership establishes an inward investment plan for Carlisle, working with Invest in Cumbria, UKTI and the Chamber of Commerce.

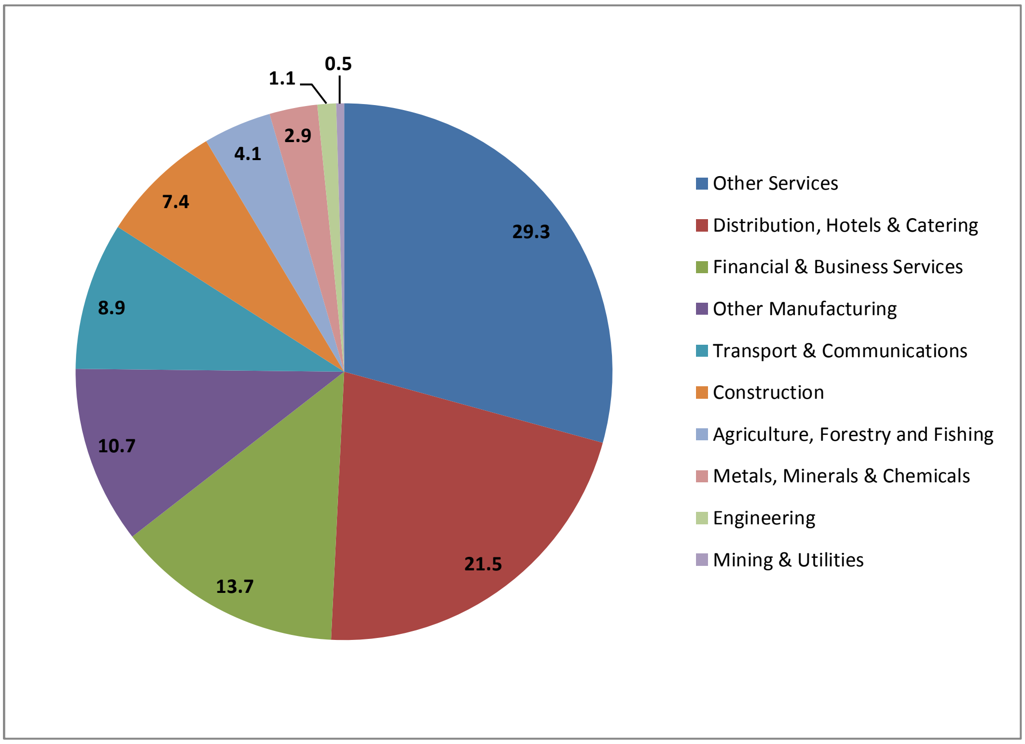
4.0 ECONOMIC STRUCTURE AND TRENDS

4.1 Employment and output

The first point of reference in this section is the Experian Model for Cumbria. Operated by Cumbria Intelligence Observatory, it sets out employment projections based on its overall national modelling data. Models of this type can be extremely useful in considering economy-wide changes in activity and creating impact scenarios but projections need to be treated with caution since they rely to a large extent on past trends and assumptions about the distribution of economic impacts. Clearly unanticipated economic interventions, inward investment and other factors could change the projections considerably. In addition, the model assumes that the population will be available to fill the available jobs.

Figure 28 shows the distribution of FTE employment by broad sector in 2012, the baseline year for the projections (section 4.1 contains future projections for employment and output). It can be seen from this that the greatest share of employment comes from the other services sector (which includes the public sector) followed by distribution, hotels and catering (which includes retail and wholesale).

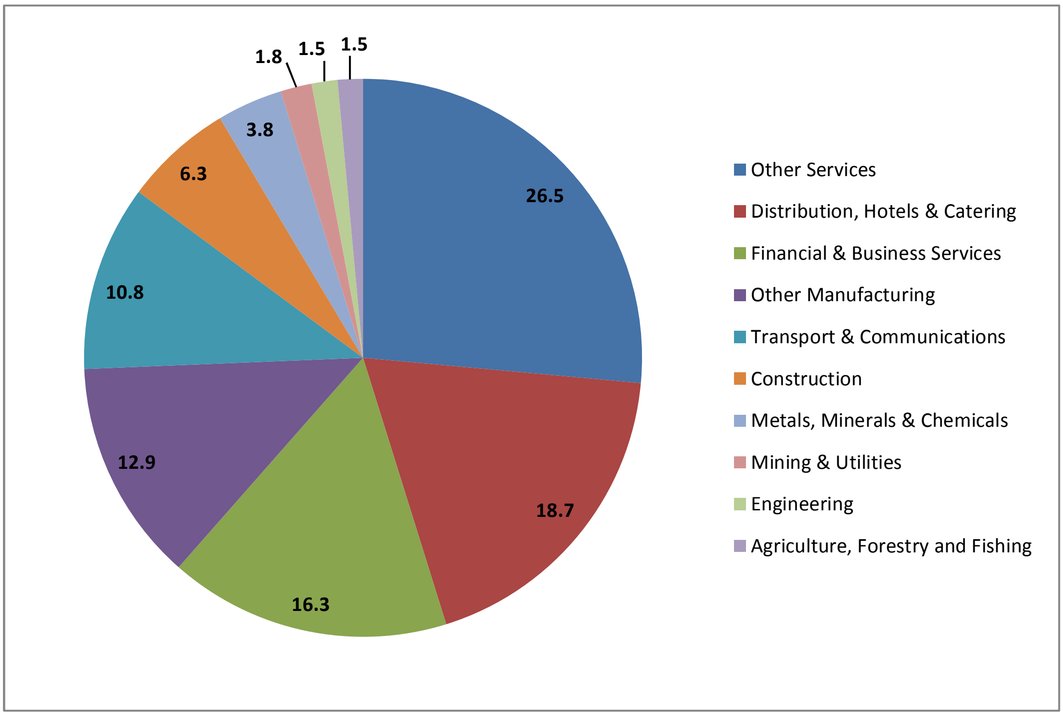
Figure 28: Estimated share of FTEs in Carlisle by broad sector, 2012



Source: Experian Economic Model operated by Cumbria Intelligence Observatory

Figure 29 shows similar information to Figure 27 but for the share of economic output derived from each broad sector. Since much of economic output is generated through wages and salaries it is not surprising that the overall structure is very similar to that for employment with other services generating the biggest share of economic output, followed by distribution, hotels and catering.

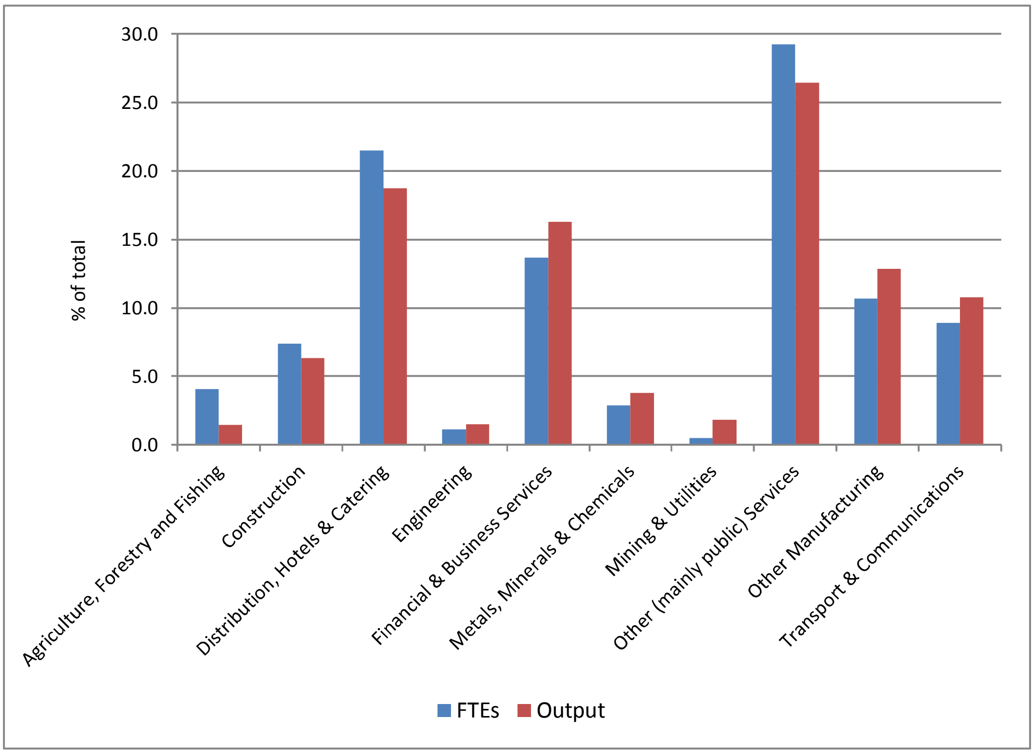
Figure 29: Estimated share of output in Carlisle by broad sector, 2012



Source: Experian Economic Model operated by Cumbria Intelligence Observatory

Figure 30 shows the two factors (FTEs and output) alongside each other. There are 4 sectors (agriculture, construction, distribution, hotels and catering, and other services which have a greater share of FTE employment than output but the reverse is seen in financial and business services, transport and communications and manufacturing.

Figure 30: Estimated share of FTEs & output in Carlisle by broad sector, 2012



Source: Experian Economic Model operated by Cumbria Intelligence Observatory

4.2 Enterprise structure

4.2.1 Sector

The main administrative source for estimates on the number of businesses is the Inter Departmental Business Register (IDBR) which utilises VAT trader and PAYE employer data. It covers all parts of the economy except some very small businesses (self-employed, those without employees and those with low turnover) and some non-profit making organisations. Other data sources suggest that rural counties such as Cumbria have a higher number of these very small businesses. Nevertheless, IDBR is estimated to cover 99% of UK economic activity and provides valuable data on enterprises responsible for the majority of employment and economic value. It provides data at 2 levels of organisation – enterprises (the smallest combination of legal units which has a degree of autonomy) and local units (sites within an enterprise). The analysis here concentrates on enterprises.

According to the 2012 IDBR, there were 3,930 enterprises in Carlisle (comprising 5,015 local units). The highest number, 740, was in agriculture, forestry & fishing, followed by 505 in construction. Figure 31 shows the number and proportion of VAT/PAYE enterprises by sector.

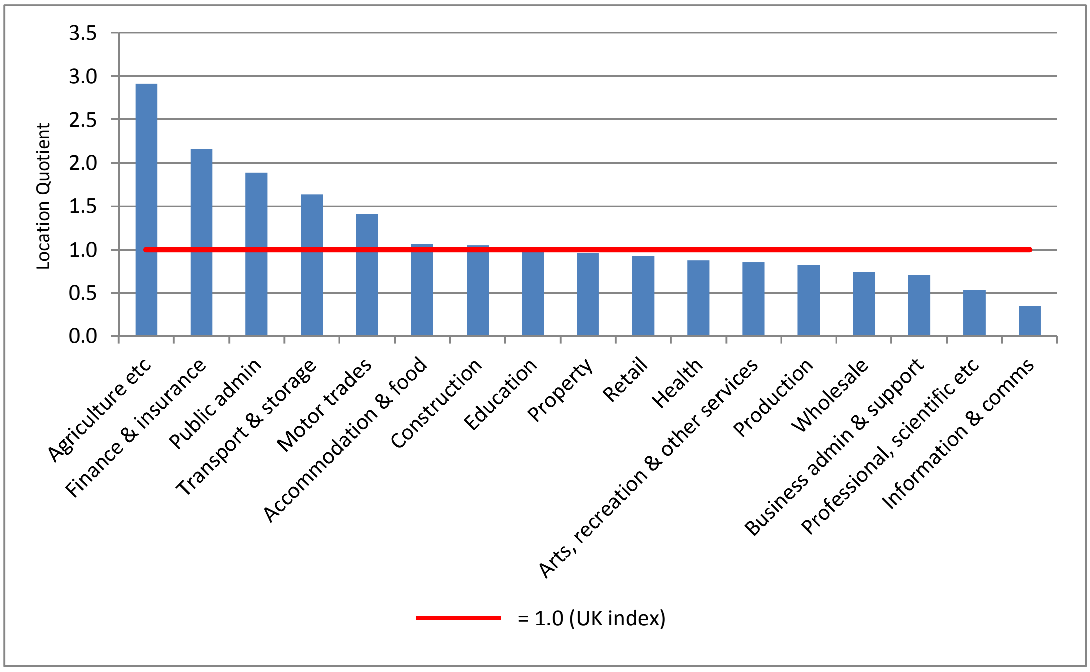
Figure 31: VAT/PAYE Enterprises and Local Units in Carlisle, 2012

	Enterprises		Local Units	
	No	%	No	%
Agriculture etc	740	18.9	765	15.3
Production	200	5.1	245	4.9
Construction	505	12.9	520	10.4
Motor trades	175	4.5	215	4.3
Wholesale	140	3.6	210	4.2
Retail	320	8.2	615	12.3
Transport & storage	200	5.1	240	4.8
Accommodation & food	255	6.5	340	6.8
Information & communications	100	2.5	120	2.4
Finance & insurance	180	4.6	220	4.4
Property	135	3.4	160	3.2
Professional, scientific and technical	340	8.7	370	7.4
Business administration & support	185	4.7	270	5.4
Public admin	15	0.4	60	1.2
Education	60	1.5	120	2.4
Health	140	3.6	235	4.7
Arts, recreation & other services	235	6.0	310	6.2
Total	3,925		5,015	

Source: Office for National Statistics, IDBR

Figure 32 shows how this distribution of enterprises by sector varies from the national picture by using a location quotient. Sectors above the red line are those where Carlisle has relatively more enterprises than the UK and those below are those where the area has relatively fewer. It can be seen from this that Carlisle has almost 3 times the national average of enterprises in the agriculture sector, more than twice as many in finance and insurance and almost twice as many in public administration. At the other end of the scale, Carlisle has less than half the concentration of information and communications enterprises and half the concentration in professional, scientific and technical enterprises.

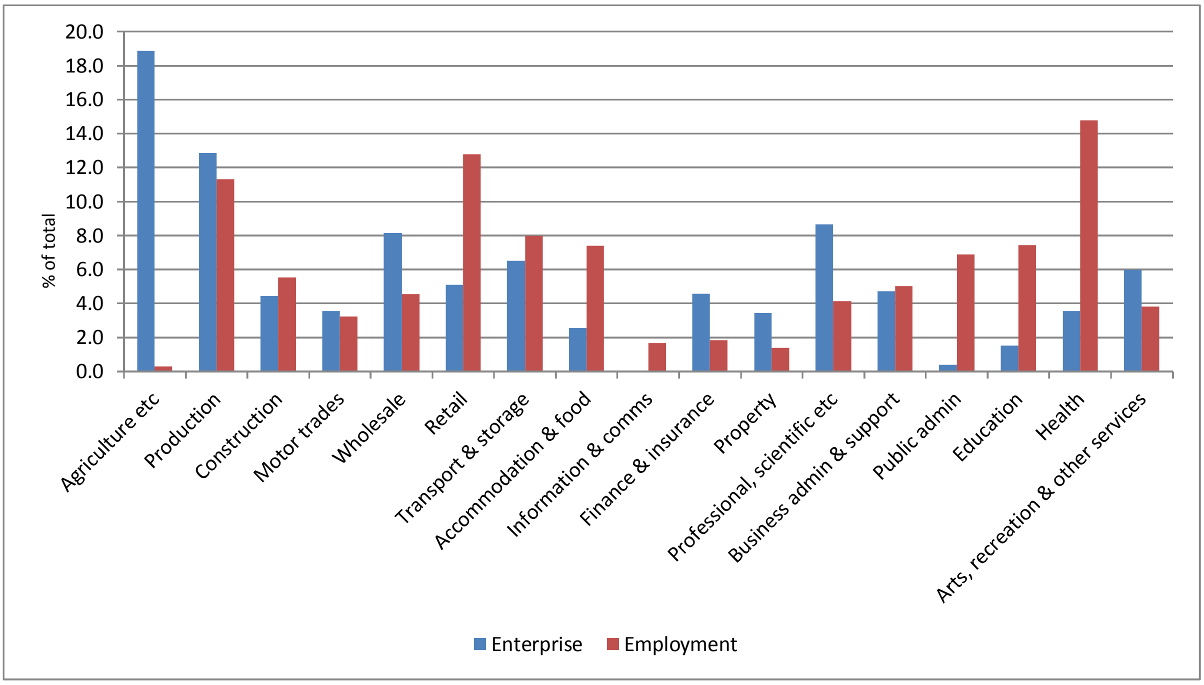
Figure 32: Concentration of enterprises in Carlisle by sector compared to UK, 2012



Source: Office for National Statistics, IDBR

When the distribution of employment (section 3.1.2) is set alongside the distribution of enterprises, it can be seen that a small number of enterprises in some sectors are responsible for a large proportion of employment. This potentially makes sections of Carlisle's workforce vulnerable to decisions taken by a few organisations. This is especially evident in retail, accommodation and food, public admin, education and health. On the other hand, enterprises in the agriculture, wholesale, finance and professional sectors account for a much lower relative proportion of employment, reflecting the smaller nature of these enterprises in the Carlisle economy.

Figure 33: Enterprises and employment in Carlisle by sector as proportion of total, 2011/2012

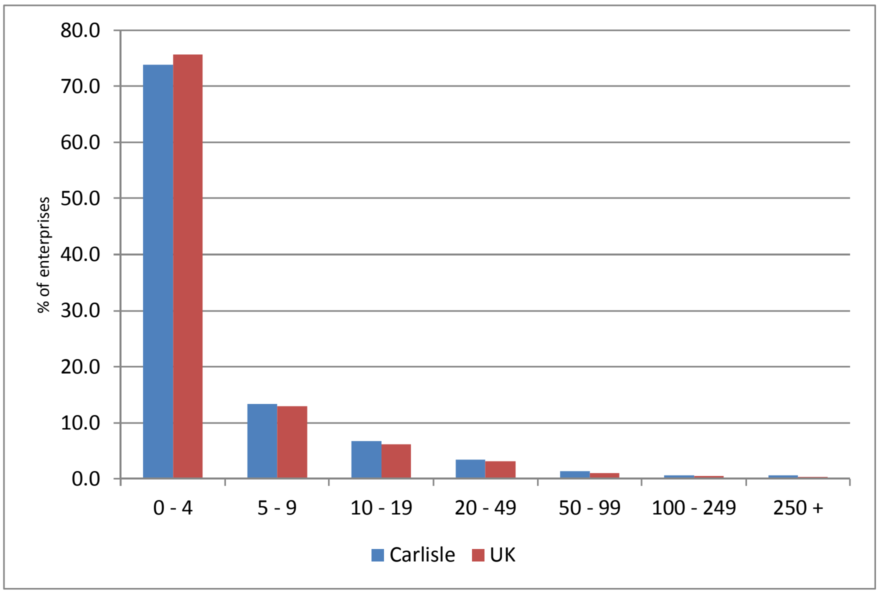


Source: ONS BRES and IDBR

4.2.2 *Employment size*

The vast majority of VAT/PAYE enterprises in Carlisle, and indeed nationally, employ fewer than 5 people (73.8% in Carlisle, 75.6% in the UK). At the higher end of the scale, Carlisle has slightly fewer large businesses (250+) than the national average but the difference is not major. Overall, 99.6% of enterprises in Carlisle are SMEs (employing fewer than 250 people) compared to 99.4% nationally.

Figure 34: VAT/PAYE enterprises by employment size, 2012

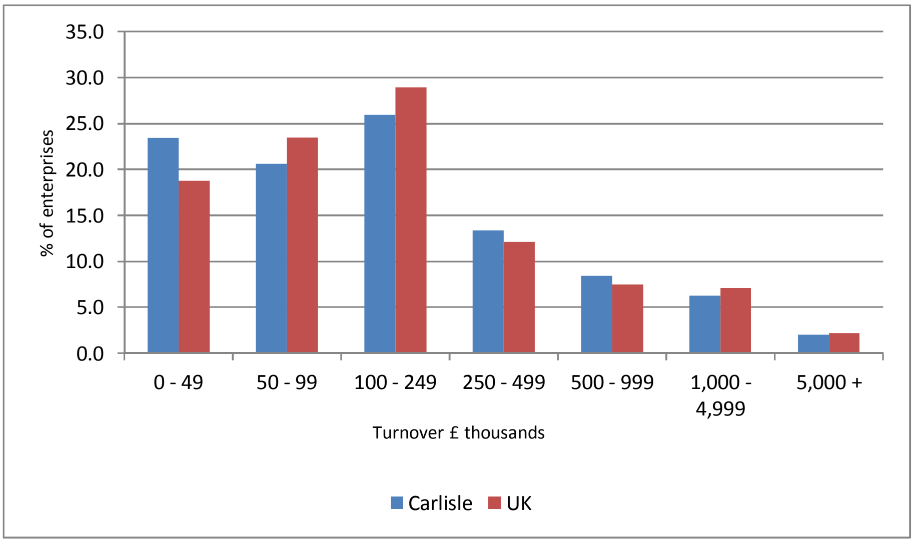


Source: Office for National Statistics, IDBR

4.2.3 *Turnover size*

Almost a quarter of VAT/PAYE enterprises in Carlisle turnover less than £49,000 a year, a higher proportion than nationally. In the medium turnover bands, Carlisle also has a higher proportion of enterprises than nationally but the area has relatively fewer in the very highest bands.

Figure 35: VAT/PAYE enterprises by turnover size, 2012

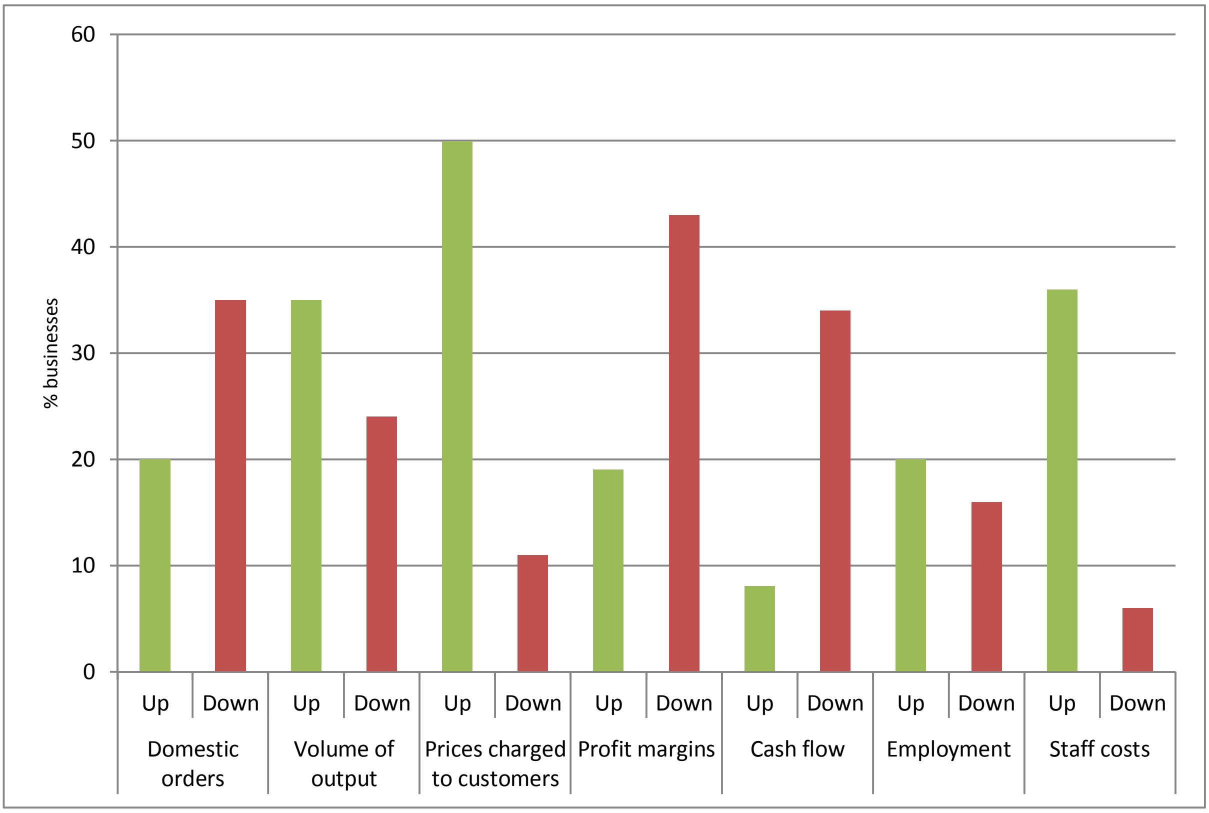


Source: Office for National Statistics, IDBR

4.3 Business trends

The Cumbria Business Survey was conducted in September 2011 and included interviews with 140 private sector businesses in Carlisle. Respondents were asked about business trends in the previous 12 months and the findings demonstrate the difficult economic climate facing businesses. There were negative balances in domestic orders, profit margins and cash flow, whilst staff costs and prices charged to customers were both up. However, volume of output was more likely to be up than down. Employment also appeared to be relatively stable considering the economic climate with slightly more businesses reporting increased employment numbers than decreased. Carlisle was the only part of Cumbria where a positive balance on employment was reported, albeit a small one.

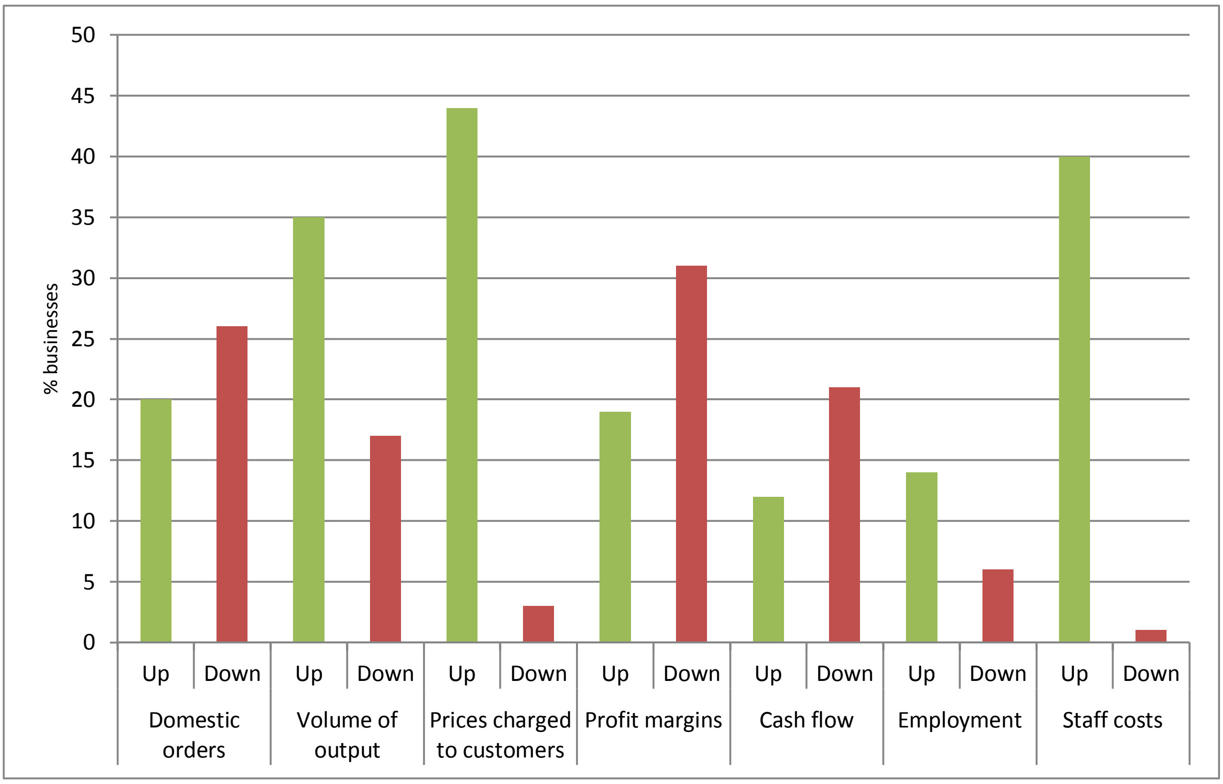
Figure 36: Business trends in Carlisle in the past 12 months, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

As Figure 37 shows, a very similar picture emerges when businesses were asked what trends they were expecting in the subsequent 12 months. Prices charged to customers was again the biggest area of increase anticipated and four in ten businesses were also expecting to experience increased staff costs. Domestic orders, profit margins and cash flow were all expected to fall.

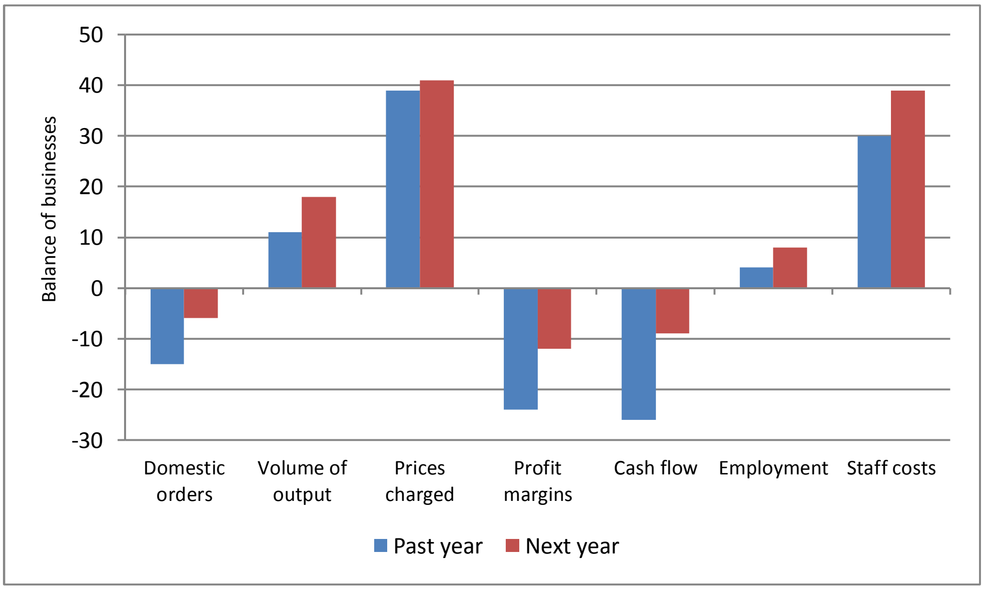
Figure 37: Anticipated business trends in Carlisle in the next 12 months, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Figure 38 summarises the balance of businesses reporting higher/lower trends for the past 12 months and the balance anticipating changes in the next 12 months. In general, businesses appeared to be slightly more optimistic about the following year than had been their experience in the previous year. The main exception was staff costs where the balance of businesses expecting them to rise was higher.

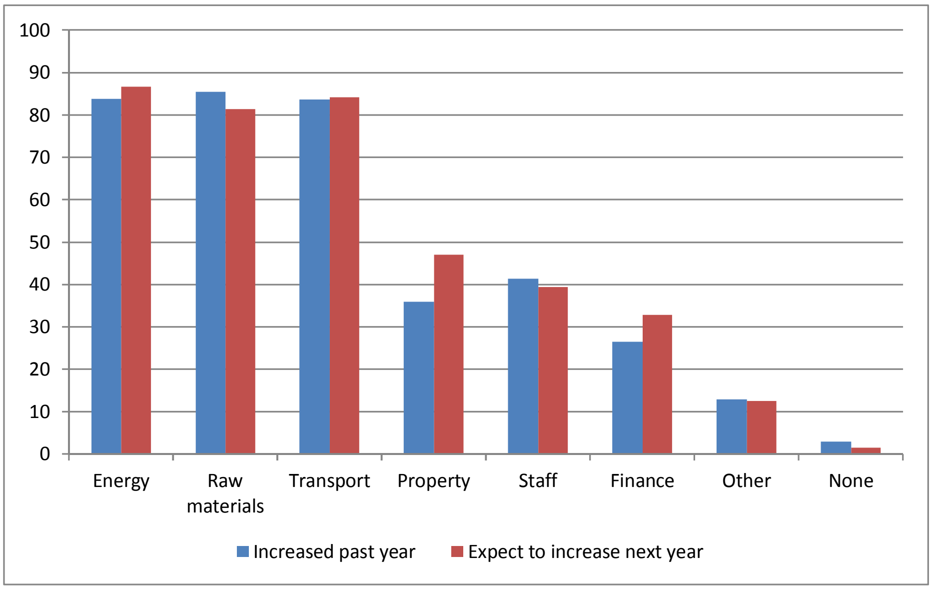
Figure 38: Balance of businesses reporting higher/lower trends, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

Costs had increased in the previous 12 months for the vast majority of businesses in Carlisle and were expected to do so again in the following 12 months. The most frequently experienced increases were in energy, raw materials and transport. Energy costs were most likely to be a factor in primary industries, manufacturing and accommodation & food services while the construction sector was most likely to have experienced increased costs in raw materials and transport. As Figure 39 shows, businesses were expecting increased costs in a similar range of areas in the next 12 months with slightly more anticipating higher property costs.

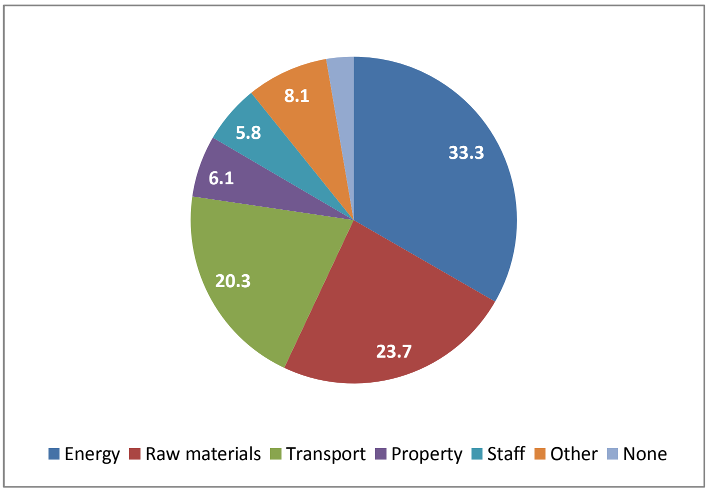
Figure 39: Increased costs for Carlisle businesses in past 12 months/next 12 months, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

When asked which of the above factors was the single main upward pressure on their business at the time of the survey, a third of Carlisle businesses said it was energy, followed by almost a quarter identifying the cost of raw materials. Despite property and staff costs having risen and being expected to do so again, these factors were not cited as the main pressure by many businesses.

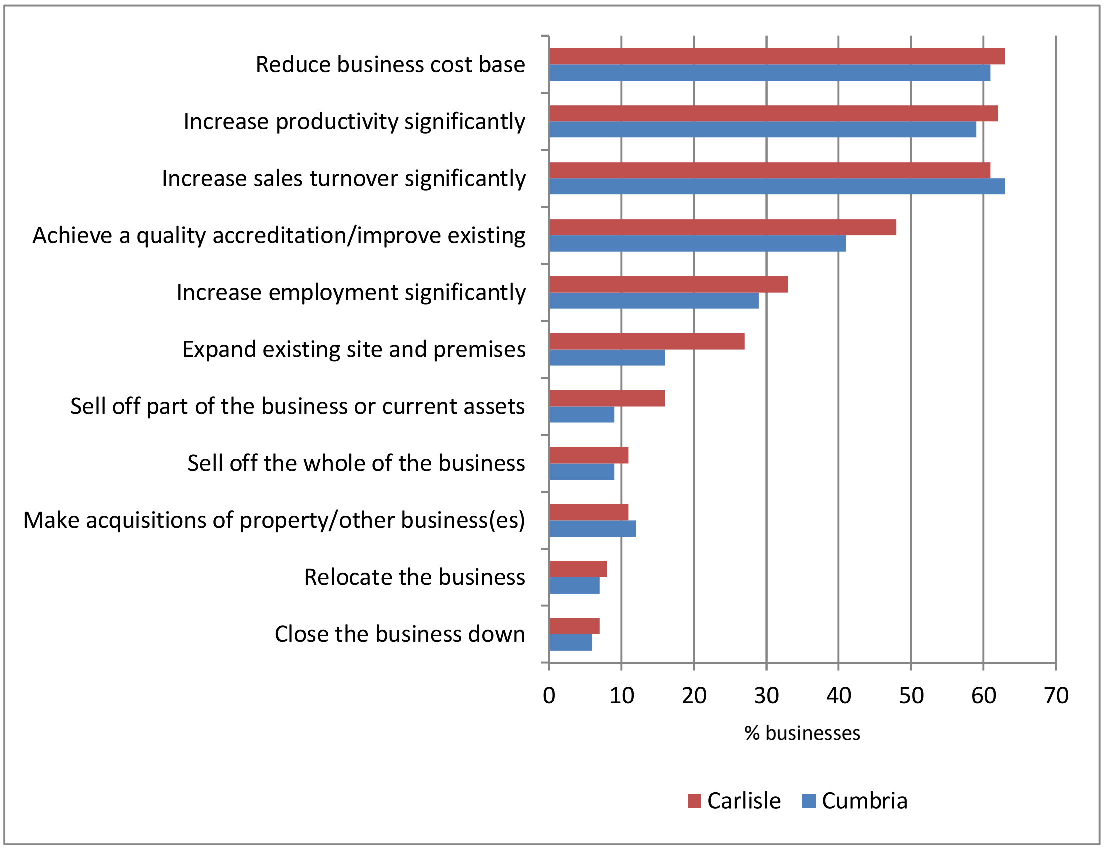
Figure 40: Main upward cost pressure at present, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

In the light of the issues being reported by businesses, the survey went on to ask businesses about their plans for the coming year. Of the 140 Carlisle businesses surveyed, 61% reported that they intend to increase turnover significantly, 63% to reduce costs and 62% to increase productivity (Figure 41). Businesses in Carlisle were more likely than elsewhere in Cumbria to say that they wished to expand their existing site or premises, highlighting significant opportunities for growth.

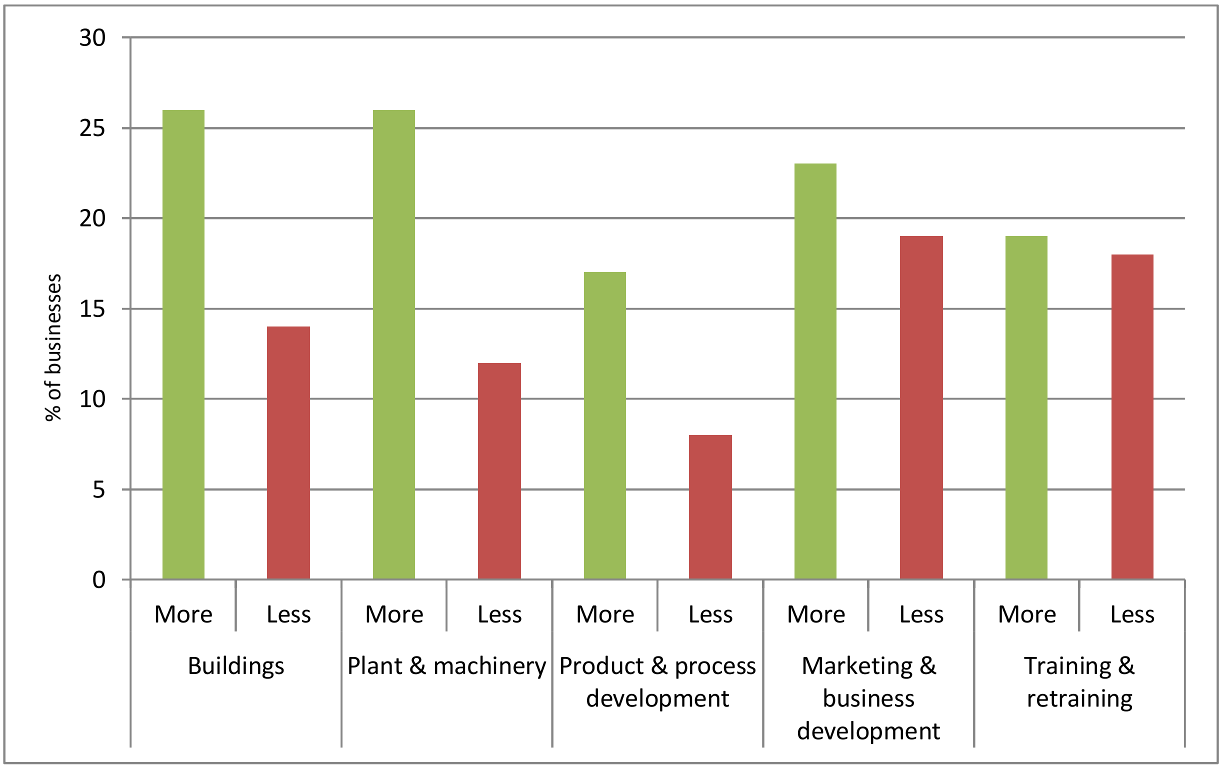
Figure 41: Business plans for the next five years, 2011



Source: Cumbria Intelligence Observatory, Cumbria Business Survey

In recognition of these future plans, businesses were about investment intentions and a higher proportion of businesses expected to invest more than less in all areas. Around a quarter intended to invest more in buildings and in plant and machinery, almost the double expecting to invest less. Almost a quarter expected to invest more in marketing and business development, although almost a fifth expected to invest less indicating that the value of this type of investment is not necessarily recognised across the board. Similarly, with training and retraining, a similar proportion of businesses expected to invest more as expected to invest less.

Figure 42: Expectations of investment levels next 12 months v last 12 months, 2011



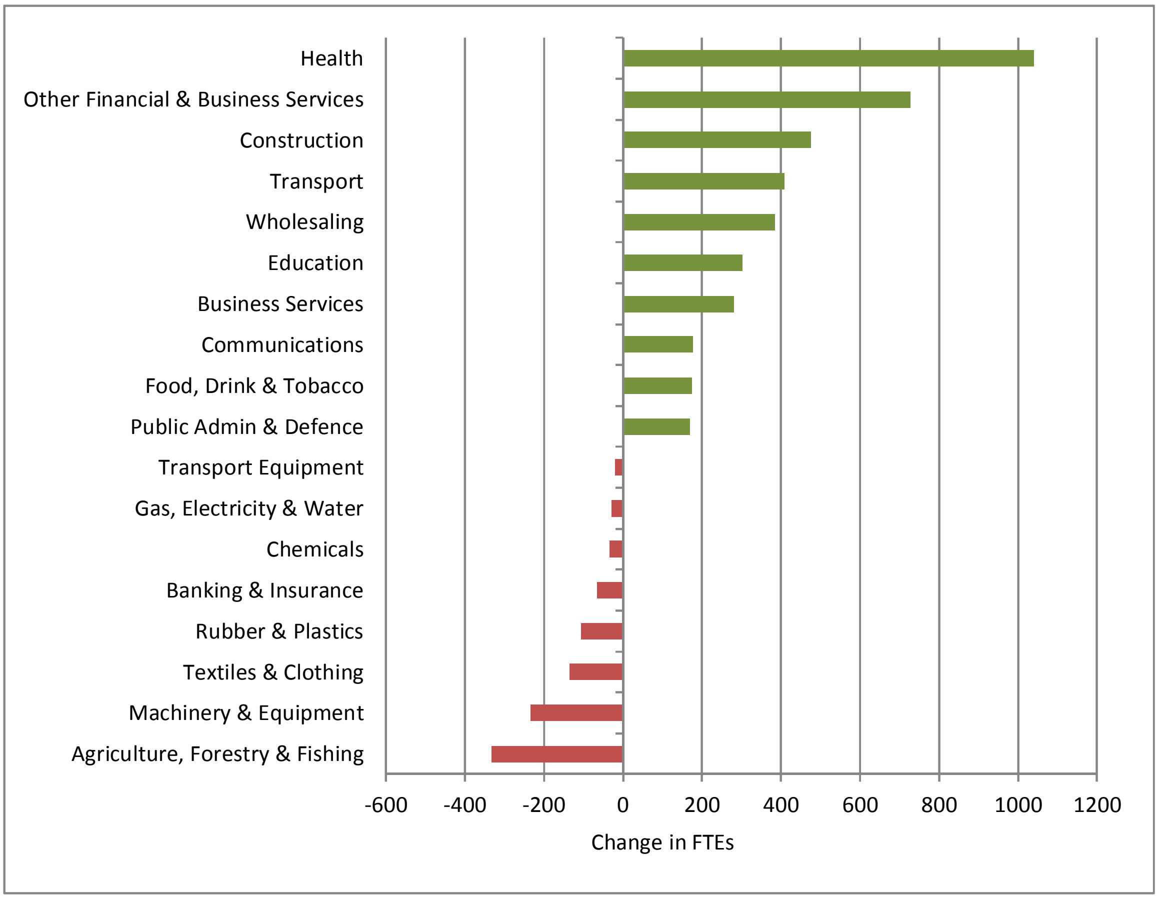
Source: Cumbria Intelligence Observatory, Cumbria Business Survey

5.0 ECONONOMIC AND DEMOGRAPHIC PROJECTIONS

5.1 Employment and output projections

Figure 43 sets out the estimated percentage change in employment for the 14 year period 2012-2026 for more detailed sectors. The estimates are based both on macro level factors which are likely to underpin the national economy and more locally based drivers. The total increase in employment is estimated to be 3,715 jobs (FTEs) over the period, with significant growth in the health sector (largely in response to the ageing population), together with increases in business services and a recovery in the construction sector. There is also estimated to be growth in the transport sector, an area in which Carlisle has a particular concentration of employment.

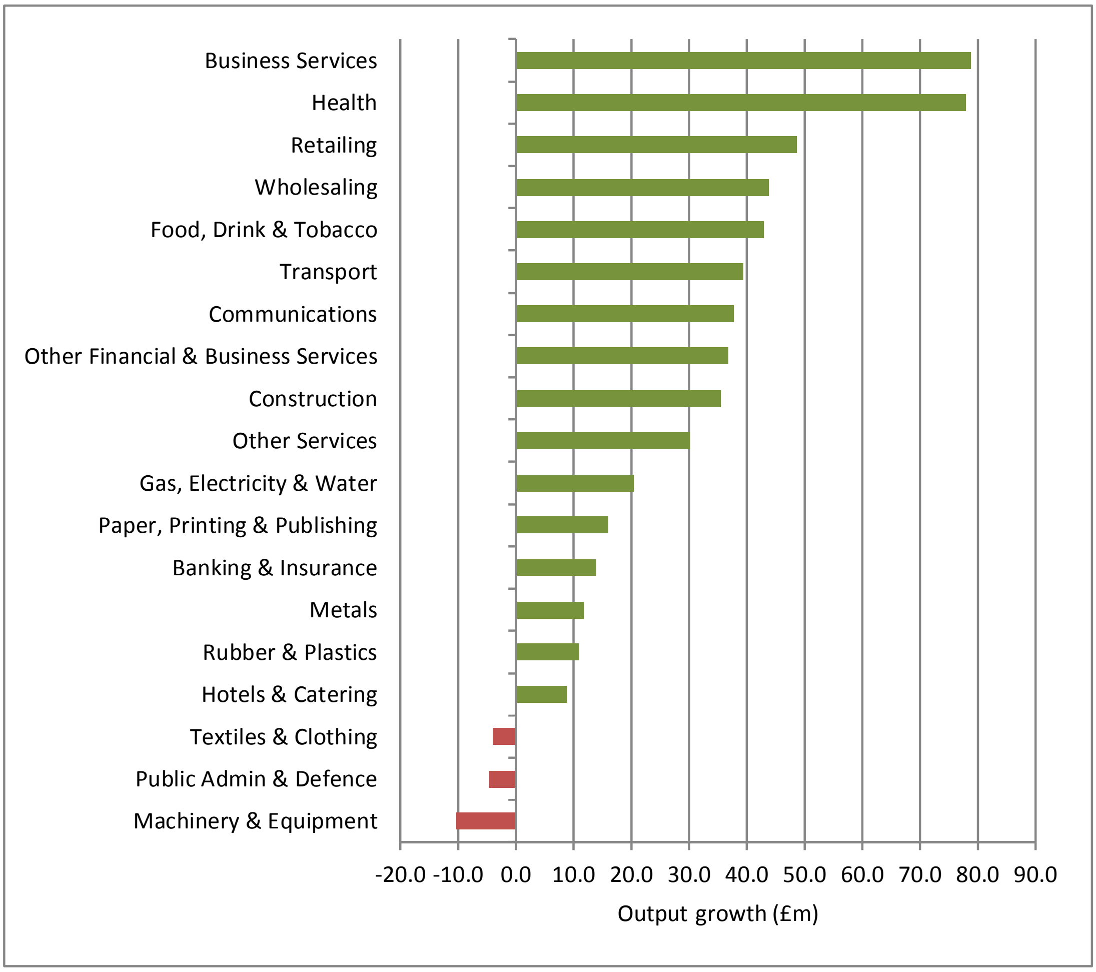
Figure 43: Estimated employment change in Carlisle (FTEs), 2012-2026



Source: Experian Economic Model operated by Cumbria Intelligence Observatory

When increased output arising from projected employment growth is combined with continued general economic growth elsewhere in the economy, it is apparent that business services, health and retail will drive some of the biggest increases in output in Carlisle. The food and drink sector, transport, communications and construction will also contribute relatively strongly. However, when viewed alongside the previous chart, it is apparent that output growth and employment growth do not necessarily happen in parallel.

Figure 44: Estimated output change in Carlisle (£m), 2012-2026



Source: Experian Economic Model operated by Cumbria Intelligence Observatory

Recommendation 16:

CEP conducts further work with the Cumbria Intelligence Observatory and University of Cumbria Centre for Regional Economic Develop to understand better sector issues and future needs.

Recommendation 17:

CEP conducts an annual 'facing the future' exercise to assess the direction of the economy and employment trends.

5.2 Population Projections

As mentioned above, the Experian employment projections model assumes that the population will be available to meet labour demand in the future. In reality, the availability of labour can constrain employment growth and initiatives to draw more people into the labour market and to encourage inward migration of working age people may need to be considered.

Every 2 years, the Office for National Statistics (ONS) produces long-term Subnational Population Projections (SNPPs) which estimate the future population of each local authority. (Note: the 2011 projections use population estimates which incorporate the results of the 2011 Census but the trends in births, deaths and migration that are fed into them, do not yet take into account the Census results. Revised projections will be available in Spring 2013).

The SNPPs suggest that Carlisle will experience overall population growth of 1.9% (2,100 people) over the next 10 years, compared to 8.5% nationally and 1.6% in Cumbria as a whole. However, the estimated growth is not evenly distributed by age group and a decline in the working age (16-64) population of 3.2% (-2,200 people) is projected against a rise of 20.8% in the 65+ age group (+4,300). Of equal concern is the fact that Carlisle's 0-15 year old population is only projected to grow modestly (2.2%). The phased changes to the retirement age will result in more over 65s remaining economically active in the future but this will not compensate for the reductions in the 16-64 year old age group or the slow growth in the 0-15 age group. Figure 45 shows the projected change by age group in Carlisle from 2012-2021.

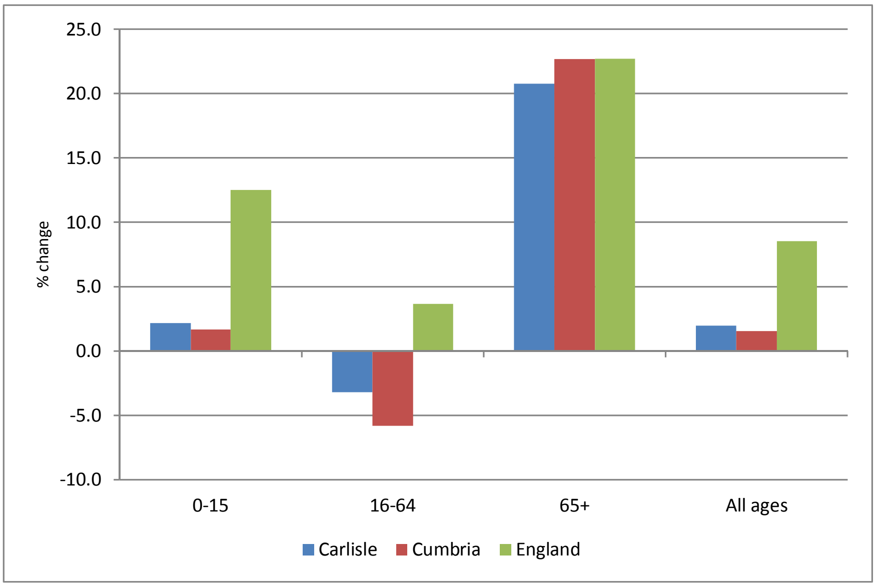
Figure 45 Projected population change in Carlisle by broad age group, 2012-2021

	2012	2021	Change 2012-2021	
			No	%
0-15 years	18,400	18,800	400	2.2
16-64 years	68,600	66,800	-2,200	-3.2
65+ years	20,700	24,300	4,300	20.8
All ages	107,800	109,900	2,100	1.9

Source: Interim 2011-based SNPPs, Office for National Statistics

In Cumbria as a whole, from where some of Carlisle's future workforce can expect to be attracted, the position is even more pronounced with a projected fall of 5.8% in the working age population and only limited growth of 1.7% in the 0-15 year old group. This situation locally is set against projected growth nationally of 3.7% in the working age population and 12.5% in the 0-15 year old age group. The challenge is thus immediately apparent for Carlisle if the area is to realise its economic growth ambitions and compete with other areas. Figure 46 shows the projected change by age group in Carlisle, Cumbria and England.

Figure 46: Projected population change in Carlisle, Cumbria & England, 2012-2021



Source: Interim 2011-based SNPPs, Office for National Statistics

6.0 CONCLUSION AND SUMMARYOF KEY ISSUES

THE CONCLUSIONS

The issues and opportunities arising from this study can be summarised as set out below.

Labour market:

- Declining working age numbers which will not meet growth needs and aspirations;
- High percentage of economically inactive who are retired couples and under employment especially amongst those looking after a family;
- Rising youth unemployment levels;
- Net outmigration of young people and difficulty recruiting and retaining graduates/higher level skills;
- Significantly low levels of NVQ 4 + qualifications across the district;
- Lower than average (regional) earnings for men and women – could prove to be a sales point, although long term must be an aspiration to raise prosperity.

Infrastructure:

- A strong need for appropriate broadband, both Wi-Fi and fibre, as well as improved skills in using and applying online opportunities;
- A need to regenerate and expand our M6 linked industrial estates / business parks;
- Emergent priority to protect and develop the vitality of our city centre – office space, residential retail and cultural offers;
- A need to better understand and develop relations with the eventual rail franchise operator on the west coast mainline.

Business:

- Meet a growing need to increase number and diversity of start-up businesses in Carlisle;
- Seek to grow and expand existing businesses (both in terms of turnover and scale);
- Develop international trade opportunities and exploit national opportunities outside Cumbria;
- Inward investment and grow our own – especially higher value businesses – and retain existing;
- Increase focus on city centre business services, to ensure a vibrant day time economy;
- Take advantage of opportunities through nuclear/energy, especially on the west coast;
- Realise the opportunity to take advantage of refocusing of economic attention on UK manufacturing.

Image:

- Address the perceptions of Carlisle as a unexceptional place to live and work, affecting ability to attract business investment and appropriate employees – define the image;
- Address the lack of “cultural” facilities contributing to above perception and affecting ability to attract business investment and appropriate employees.

7.0 KEY PRIORITY ACTIONS

In addition to the key priority actions identified below, a number of recommendations have been highlighted throughout the above text which will support future actions. A full list of these can be viewed at Appendix A.

In implementing these actions Carlisle Economic Partnership intends to work proactively with Cumbria Local Enterprise Partnership (LEP)and others to maximise growth opportunities for Carlisle.

In seeking to implement the above actions we should consider the opportunities through e.g. City Deal, Enterprise Zones, Business Rate Retention, Cumbria Infrastructure Fund and the Regional Growth Fund, and, where appropriate, take advantage of such opportunities.

Priority 1 – Business

Inspiring and supporting businesses to reach their potential to grow Carlisle's economy and jobs.

Carlisle's businesses, existing and future, offer huge potential to grow the county's economy and jobs. To maximise this we will ensure that businesses, and in particular SMEs, are inspired and supported to reach their potential.

Key actions in delivering this are:

- With Carlisle Business Growth Hub at its core (to be established by March 2013), supporting delivery of a coordinated package of business support, events and networking aiming at raising aspirations and assisting businesses to achieve their potential, in particular supporting growth of the food & drink sector and supporting businesses to take advantage of the opportunities through nuclear decommissioning and other energy opportunities;
- Working with UKTI and the Business Growth Hub to promote and support enhanced international trade activity, establishing the current situation by March 2013 (to establish a baseline for targets) and running an export awareness event by April 2013;
- Establishing, by April 2013, a task group with key manufacturers (including food & drink) to identify opportunities and agree plans to support exploitation of opportunities to grow manufacturing through supply chain development and/or collaboration, as part of this engaging with Cumbria LEP's Specialist Manufacturing Task Group and the current Manufacturing Institute ERDF project;
- Lack of opportunities to develop the whole of the food and drink supply chain through less primary production through to customer service.

Priority 2 – Skills and employment

Ensuring motivated and skilled people, both employees and entrepreneurs.

Underpinning Carlisle's growth is the availability of motivated and skilled people, able and willing to be effective employees and entrepreneurs.

Key actions in delivering this are:

- Engaging actively in Cumbria LEP's employer led Skills & Employment Group, by March 2013, to identify skills and training needs and encourage provision which meets these and the needs of businesses, delivered where and when its needed;

- Completing a Carlisle skills audit by March 2013, developing a comprehensive understanding of current and future skills needs and mapping of current provision to facilitate provision of relevant training and address skills shortages and training needs;
- Engaging actively in work with Cumbria LEP to look in detail at issues around attracting and retaining graduates and people with higher level skills, by June 2013, and implement appropriate actions to address these;
- Engaging actively with Cumbria LEP on skills and unemployment to look at the challenges of areas of deprivation and areas of job opportunity and identify, by June 2013, and then implement appropriate actions – especially issues of youth unemployment;
- Working with businesses to establish an internship programme in Carlisle by June 2013;
- Working with partners, schools, colleges, universities and youth groups to enable young people (and their families and careers staff) to better understand the career opportunities and choices available in businesses in the county and through self-employment and encourage and enable them to move into these, establishing a task group by March 2013 to agree specific actions;
- Working with partners to raise awareness of the benefits and opportunities through apprenticeships and other non-university options, working with providers to develop appropriate delivery and employment models, implementing a task group by March 2013 to agree specific actions;
- Supporting development of entrepreneurialism and business skills and encouraging more people in Carlisle, of all ages, to start-up in business and enabling a more enterprising workforce, for example through continuing investment in and support for the existing start-up programmes, including a Carlisle Enterprise Show in September 2013;
- Supporting Carlisle College and the University of Cumbria development plans.

Priority 3 – Infrastructure

Ensuring the right infrastructure to support business competitiveness and growth.

Fundamental to business competitiveness and growth is provision of the appropriate communications and transport infrastructure to support current and future needs, as well as appropriate workspaces and housing.

Key actions in delivering this are:

- Working with partners, including through Connecting Cumbria, to stimulate demand and create relevant business cases for private sector superfast (and faster) broadband investment and universal and enhanced mobile phone coverage, and encourage take-up of broadband opportunities/ alongside this addressing availability of Wi-Fi;
- Lobbying on an ongoing basis for maintenance and improvement of existing rail infrastructure and services including engaging in the debate around HS2 and the northern Hub to ensure that Carlisle benefits from and is not disadvantaged by any future plans, and aiming for a stop in Carlisle;
- Ensuring coordination of public transport and provision of appropriate parking, in particular to facilitate access to work and training and support the visitor and retail economies;

- Enhancing and developing key employments sites at M6 junctions 42, 43 and 44 and within the city, paying particular attention to city centre office space, broadband, road and transport infrastructure;
- Exploiting opportunities for linkages with the Port of Workington;
- Taking advantage of rail freight opportunities in Carlisle;
- By September 2013 undertaking a study to address knowledge gaps with regard to city centre office space, employment sites, which can then be considered along with the Retail Study and residential needs/opportunities to determine further actions needed to protect and develop the vitality of our city centre.

Priority 4 – Environment

Using Carlisle's environment as a key economic asset

Carlisle environment offers significant potential for growth across a range of sectors – and protecting and continuing to enhance that environment is vital to the success of many of our businesses.

Key actions in delivering this are:

- Working with partners to encourage and facilitate use of low carbon and renewables to support sustainability and growth of Carlisle's businesses through opportunities to reduce costs, increase competiveness and grow, and supporting business in understanding and exploiting these, while balancing this against protection of the natural environment, utilising the output of research to be undertaken by ENWORKS as part of their current ERDF project to identify and agree specific priorities and actions by June 2013 and, through the Growth Hub, linking businesses into available support;
- Working with partners to exploit and develop manufacturing and supply chain opportunities for businesses in the low carbon and renewables sector, building on our highly skilled manufacturing base and utilising the output of research being undertaken by ENWORKS to identify and agree specific priorities and actions by June 2013 and, through the Growth Hub, linking businesses into available support;
- Utilising the Cumbria, Lake District and Hadrian's Wall brands more effectively in selling products and services such as higher added value agri-products, leisure and hospitality, and food & drink, and supporting businesses to do so, through linkage into support through the Growth Hub;
- Continuing investment in the improvement of public realm and visitor infrastructure, reviewing and agreeing priorities by April 2013;

Priority 5 – Image

Key actions in delivering this are

- Work with city and county partners to clearly articulate the image of Carlisle as a great place to live, work and visit. The city has a distinct culture, heritage and offer that must be better articulated to resonate with potential new business;
- Working with partners such as UKTI to promote Carlisle as a location, enable inward investment by businesses and secure continued operation, and where possible expansion, of existing players, seeking in particular to increase higher value added activities and build on our

manufacturing base and alongside this promoting Carlisle as a place to live and work, including extending the travel to work area to encourage more people from the surrounding area to work in the city, in particular:

  - establishing an effective and coordinated account management process by March 2013;
  - developing a suite of promotional materials by April 2013 and arranging access to the UKTI system by February 2013 to facilitate active identification of opportunities and actions;
  - identifying appropriate promotional opportunities through, for example, international exhibitions, by May 2013;
  - Creating and marketing of strategic city centre and employment site investment zones by April 2013;

- Related to the above, working with partners to exploit the significant opportunities offered by expanding the appeal of Carlisle as a tourism and leisure destination and place to live and work, nationally and internationally, and enhancing the attraction of Carlisle for recruitment to support industry – encouraging collaboration between public and private sector to fund promotion of Carlisle county to businesses, visitors and potential employees and promoting the quality of life that is on offer to new and relocating businesses
- Ensuring we make the most of Carlisle's cultural assets and heritage, and seeking to enhance these, developing an appropriate and engaging cultural offer.

APPENDIX A

RECOMMENDATIONS

Recommendation 1:
CEP gives consideration as to how Carlisle can extend its economic reach to bring more business and consumer spend into the city region.

Recommendation 2:
The CEP should consider conducting further research into the long term economically inactive to establish potential partnership actions.

Recommendation 3:
Conduct further research into outmigration of young people from Carlisle to establish potential partnership actions.

Recommendation 4:
The CEP should carry out research into the footprint and nature of manufacturing in Carlisle and derive issues opportunities from this.

Recommendation 5:
City partners establish a commission for education and skills development to focus on key areas of underachievement.

Recommendation 6:
The proposed Education commission also focusses on improving business/education links to improve awareness and understanding of the opportunities for and employability of young people.

Recommendation 7:
The CEP conducts further research to establish the potential (within key sectors) for improving "exports" (domestic and international) and establish support to ensure that products and services with identified potential reach new markets beyond Cumbria and the UK.

Recommendation 8:
The CEP explores with partners a reviewed tourism strategy that is in keeping with developing the city as a historic destination

Recommendation 9:
The Cumbria Economic Partnership develops a focussed campaign to further Carlisle's image as a place to visit, learn do business and invest.

Recommendation 10:
The CEP develops clear actions for improving the number of new start-ups from all sectors, but particularly focussed on high growth.

Recommendation 11:
The CEP and Carlisle City Council ensures that maximum value is gained for the Growth Hub/Rural Growth Network/Business Interaction Centre by aligning communications, monitoring and agreeing a pathway for growing and securing established businesses.

Recommendation 12:
The CEP carries out mapping of broadband provision and uptake across Carlisle and works with any relevant parties to improve provision for and uptake by Carlisle businesses.

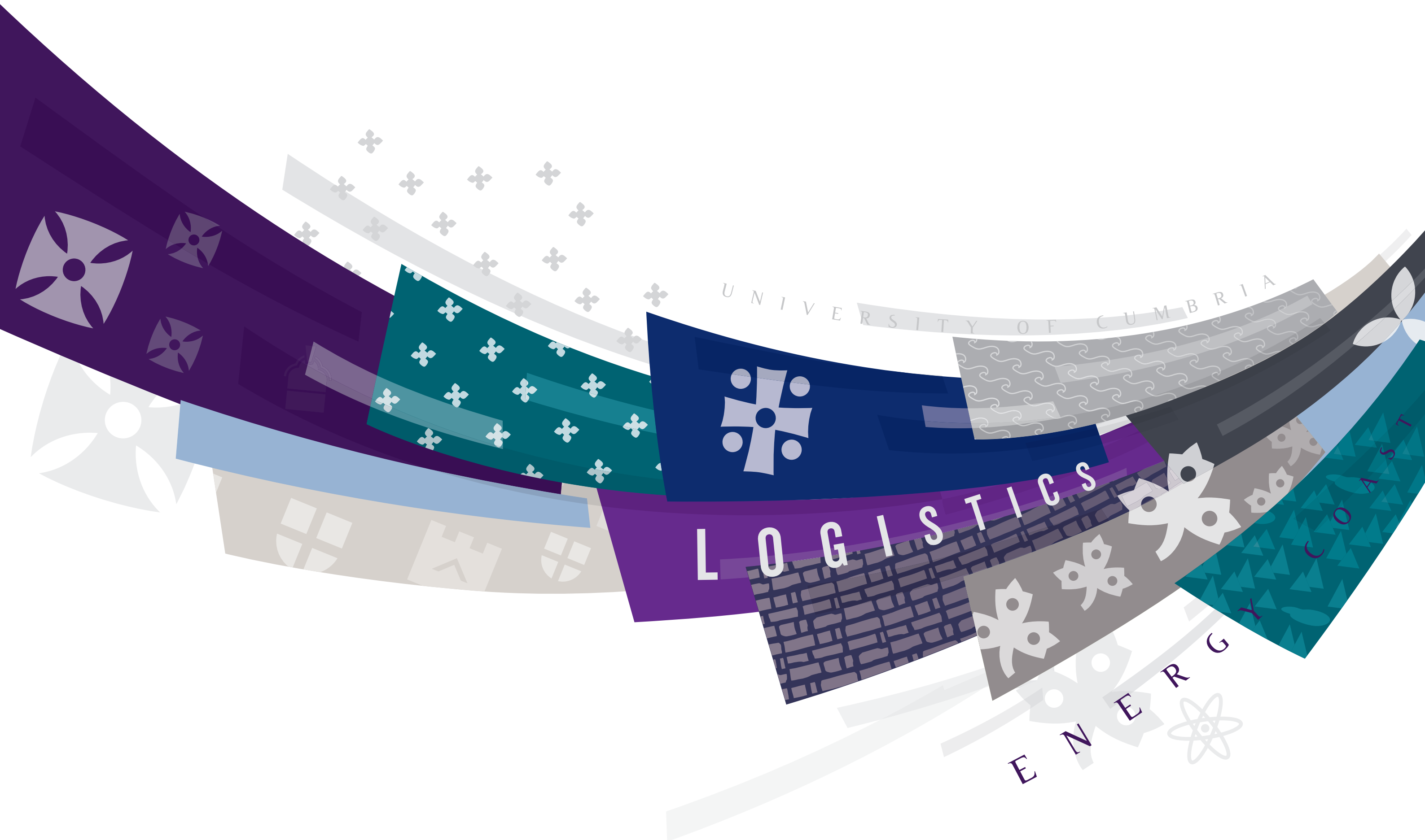
Recommendation 13: CEP to establish Carlisle's position regarding investment and external funding.

Recommendation 14: CEP works to establish the factors that attract and dissuade businesses and lenders from investing in Carlisle.

Recommendation 15: CEP establishes an inward investment plan for Carlisle, working with Invest in Cumbria, UKTI and the Chamber of Commerce.

Recommendation 16: CEP conducts further work with the Cumbria Intelligence Observatory and University of Cumbria Centre for Regional Economic Development to understand better sector issues and future needs.

Recommendation 17: CEP conducts an annual 'facing the future' exercise to assess the direction of the economy and employment trends.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