

UK Shared Prosperity Fund (UKSPF)

Sunderland Investment Plan – Evidence Base Summary

November 2022

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Introduction

The Government's UK Shared Prosperity Fund (UKSPF) Prospectus was issued in April 2022 setting out detailed information on the objectives of the Fund, the types of projects it can support and the expected outputs and outcomes to be achieved.

Sunderland City Council was designated as a lead authority by the UK Government. As a lead authority, the Council is responsible for the development, management and monitoring of Sunderland's UKSPF Investment for the period April 2022 to March 2025.

This document provides a summary of the evidence base that was submitted to Government in July 2022 to support Sunderland's Investment Plan.

Investment Priority 1: Communities and Place – Local Challenges & Evidence Review

INTRODUCTION

To guide continued progress over the next decade, the City Council has developed a City Plan (2019-2030) which provides the blueprint for all partners and communities to work together, to address the economic and social challenges that Sunderland faces so that the city and its people can achieve their full potential.

City Plan challenges include ensuring:

- the city and its residents emerge from the Covid-19 pandemic in a strong and competitive position.
- health and wellbeing outcomes are significantly improved.
- residents have the skills and qualifications to secure good jobs, matching the needs of employers in the city's key sectors.
- Sunderland City Centre will drive transformational economic growth with Riverside Sunderland demonstrating clearly our investment ambition.
- Sunderland offers the opportunities that families and individuals need to achieve their ambitions.
- families are resilient and resourceful to respond to challenges and achieve the best possible outcomes for their children.
- Sunderland will play its role in tackling the global challenge of climate change, working together across the city to be carbon neutral by 2040.

In working to deliver on these challenges, the City Plan is focused on our bold and ambitious vision to create a connected, international city with opportunities for all.

To achieve this, the City Plan has three themes:

- by 2030 Sunderland will be **a dynamic smart city** with more and better jobs, a low-carbon economy and a great choice of housing. It will be a leading digital city, deploying smart and sustainable technologies for the benefit of residents, businesses and visitors.

- it will be a **healthy smart city** where people will live healthier, independent lives for longer. It will be a clean and attractive city with great transport and travel links.
- and it will be a **vibrant smart city** with more resilient people feeling safe in their homes and neighbourhoods. There will be a range of opportunities for people to participate in their communities and in cultural events and activities.

Our analysis of Sunderland's local challenges for the UKSPF investment plan has involved an in-depth review of the local evidence base and a strategic review of City Plan commitments against UKSPF investment priorities and interventions. This has enabled us to identify UKSPF priorities that align most closely to the City Plan and that can deliver the most benefits for the city's residents, businesses, and communities.

This analysis suggests that a UKSPF submission with a principal focus on the City Plan Dynamic Smart City Theme, then Vibrant Smart City and then Healthy Smart City - particularly focused on more and better jobs, more people with better skills and qualifications, a stronger city centre with more businesses, housing and cultural opportunities, more resilient people, more residents participating in their communities and more people visiting Sunderland and more residents informing and participating in cultural events, programmes and activities - would be most aligned to the city's priorities. In turn this would enable local strategic fit to be best demonstrated in the submission.

This exercise has been supplemented by a wider range of data and research compiled at a regional level through the North East Intelligence Hub - <https://evidencehub.northeastlep.co.uk/ukspf>

Key challenges facing Sunderland that we will seek to address under the Communities and Place investment priority will include:

- tackling deep-rooted levels of deprivation and social exclusion within our communities, exacerbated in recent years by austerity measures, the economic downturn, pandemic and cost of living crisis.
- the need to strengthen voluntary and community sector capacity and infrastructure, and to ensure the sector is better resourced and more resilient in the future.
- improving health outcomes for the city's residents and reducing health inequalities which lead to negative socio-economic impacts on families, communities and the economy.
- creating a stronger more vibrant cultural and heritage ecosystem, and enabling the sector to thrive, and widen participation in creative activities.
- the need to reinvigorate and repurpose Sunderland city centre and local town centres which together face multiple challenges, including recovery from the pandemic, adaptation to new business models, reduced footfall, decades of suburbanisation, local population decline and a transformation in shopping habits. More vibrant and dynamic centres are needed for Sunderland businesses to emerge strongly from the pandemic.
- addressing digital inclusion and data poverty, widening access to digital and 5G infrastructure and improving digital skills and capabilities among individuals, communities and business.
- developing Sunderland's low carbon ambitions set out in its Low Carbon Framework, and accelerating investment in community and renewable energy initiatives, low carbon and active transport, growing the green economy, reducing consumption and waste, and promoting sustainability and climate adaptation measures.
- supporting businesses, community organisations and residents to improve energy efficiency and tackle fuel poverty.

- addressing community safety issues through targeted improvements and innovative approaches to crime prevention and anti-social behaviour.
- improving employment, skills, education, and enterprise opportunities for all, including addressing local disparities across population groups and communities.

AREA PROFILE

Sunderland has been strongly shaped by industry over the centuries; a C12th charter granted the port maritime commerce and as early as the C15th St. Peter's had a glassworks. The late C18th saw major changes to the Port as the River Wear Commissioners made significant improvements to the harbour and two piers constructed. The early C19th saw new technology sink deep shafts into the Durham Coalfields and Stephenson's Hetton Colliery Railway. By the mid C19th Sunderland was the biggest shipbuilding port in the world, with 65 shipyards. Sunderland was one of the most bombed towns in Britain during the Second World War due to its status as a prolific shipbuilding town. Following the war, increased international competition saw shipbuilding enter terminal decline and by 1986 it had ceased completely. Coal mining also suffered in the face of external competition and followed shipbuilding into the local history books in the 1990s. Today, Sunderland is witnessing the most significant period of regeneration seen since the end of the Second World War with £1.2bn of private and public money being invested in the city by 2024.

The Local Authority administrative area for Sunderland covers a total of 53 square miles. Sunderland displays a polycentric development pattern – with its main centres in Sunderland itself, the former New Town of Washington and the coalfields communities of Houghton-le-Spring and Hetton-le-Hole.

The neighbourhoods and communities within Sunderland differ in their socio-economic and geographic characteristics, including high density inner urban areas in Hendon, Millfield and Pallion, significant areas of former local authority housing on the periphery of the urban core in Redhill, Southwick and Sandhill and a former New Town in Washington.

With a current population of 274,200 (ONS Census 2021, Usual Resident Population, June 2022), Sunderland is the second largest city in the region (Newcastle is now the largest with 300,200). The population of Sunderland is forecast to rise to 287,000 by 2038. Sunderland's population is ageing, and the number of people aged 65 or over increasing from 17.0% in 2011 to 20.5% in 2021 and forecast to increase by over 35% by 2033.

Sunderland is divided East to West by the River Wear, with four bridges connecting the north and south. Sunderland displays a polycentric development pattern – with its main centres in Sunderland itself, the former New Town of Washington and the coalfields communities of Houghton-le-Spring and Hetton-le-Hole. Geographically, the city comprises five areas.

- **Sunderland North** runs north along the coast, west along the river via St Peter's, encompassing former shipyard and mining communities at Southwick, Castletown) and Hylton Castle
- **Sunderland East**, stretches south from the Port of Sunderland through Old Sunderland to the former colliery village of Ryhope
- **Sunderland West** includes Barnes, Pallion and Sandhill wards and includes the greatest density of ethnically diverse residents in the city
- **Washington**, to the west of the city includes the historic birthplace of the Washington family, the former Washington New Town and location of Nissan – the city's biggest employer.

- **Coalfields** sits inland to the south of the city, comprising the former colliery communities including Hetton-le-Hole, Houghton-le-Spring and Shiney Row.

KEY STATISTICS

- Total Area – 53 sq. miles
- Total Population – 274,200
- No. of Households – 122,200
- Economic Activity – 72.6% (74.7% NE, 78.4% GB)
- NVQ 4 qualifications and above – 24.7% (34.4% NE, 43.5% GB)
- Manufacturing Jobs – 16.9% (10.0% NE, 7.9% GB)
- Gross Weekly Pay (Workplace-based figures) – £513.10 Sunderland (£538.70 NE, £612.80 GB)
- Gross Weekly Pay (Residence-based figures) - £483.80 Sunderland (£546.80 NE, £613.10 GB)
- Male Healthy Life Expectancy – 56.1 (59.1 NE, 63.1 Eng)
- Female Healthy Life Expectancy – 56.9 (59.7 NE, 63.9 Eng)

DEPRIVATION

Within the North East Local Enterprise Partnership (NELEP) geography, Sunderland is the most deprived in terms of education, skills and health deprivation and ranks second behind South Tyneside on income and employment deprivation (IMD, 2019).

Sunderland is ranked the 33rd most deprived Local Authority in England with an average IMD (2019) score of 29.725.

- 19% of Lower Super Output Areas (LSOAs) in Sunderland (36 of 185) are in the top 10% most deprived areas of England.
- 38% of LSOAs in Sunderland (71 of 185) are in the top 20% most deprived areas of England.
- Sunderland has some of the most significant deprivation within the NELEP area when comparing the average rank of score across the 2015 Index for Multiple Deprivation and the five main indices.

The following figures shows where Sunderland ranks within the country and within the NELEP region (in brackets) of 7 local authority areas, with 1 equalling the most deprived: IMD - 33 (2); Income - 24 (2); Employment - 6 (2); Education - 56 (1); Health - 20 (2); and Crime - 57 (2).

According to research commissioned by the Local Trust in 2019, Sunderland has 8 of the 225 'left behind' areas in England – Castle, Hendon, Hetton, Redhill, Sandhill, Southwick, St Anne's, Washington North (OSCI/Local Trust, 2020). The research assessed levels of social infrastructure in all the wards in England, focusing on three area characteristics to create a Community Needs Index:

- Places to meet: Absence of community, civic, educational and cultural assets in or in close proximity to the area

- An active and engaged community: Community and civic participation
- Connectedness: Isolation, connectivity to key services, digital infrastructure and the strength of the local jobs market

The Index maps community need at a hyper-local level overlaying the Community Needs Index with the Index of Multiple Deprivation to find those communities that suffer from the highest levels of combined social, cultural and economic deprivation. Those wards that rank in the top 10% most deprived on both indices, are perhaps the most 'left behind' neighbourhoods in England (Local Trust/OSCI, 2020).

These areas have persistent levels of deprivation, and their residents have markedly worse socio-economic outcomes than the residents of other equally deprived areas. This suggests the value and importance of social infrastructure. Residents in areas benefitting from it do better on all the key metrics: health, employment, education, skills and household income.

While there was an improving trend for Sunderland across the IMD for 2004, 2007 and 2010 this was not reflected in the IMD for 2015 which saw a deterioration in the trend which continued in 2019.

This analysis highlights the need for locally based interventions, particularly under the Communities and Place investment priority, but also for Supporting Local Business and People and Skills. The ONS (2022) has also issued comparative data on pay gaps within neighbourhoods. This shows the huge differences that exist between the richest and poorest neighbourhoods in the North East in areas just miles apart. The data analyses the average total annual income of every household in the region. The final figure is the sum of the gross income of every member of the household, plus any income from benefits such as Working Families Tax Credit. While the average does not take into account the size of households, it provides a useful indication of the extent of the income divide faced by households across the North East.

The figures for the top five poorest and richest neighbourhoods in Sunderland are as follows:

Sunderland - five poorest neighbourhoods

1. Hendon & Docks; £25,800
2. Pallion North; £26,400
3. Thorney Close & Plains Farm; £27,000
4. Town End Farm; £27,200
5. Hylton Red House & Marley Pots; £27,300

Sunderland - five richest neighbourhoods

1. Harraton, Rickleton & Fatfield; £43,500
2. Hill View & Tunstall; £43,100
3. Seaburn; £40,900
4. Fulwell; £40,900
5. Herrington & Doxford; £40,600

POPULATION DECLINE

A report for SCC by Edge Analytics (2016) presented a range of growth scenarios for Sunderland, all of which highlighted the tension between projected slow population growth, continued net out-migration and aspirations for future economic growth. A 2014 study for the Government Office for Science ranked Sunderland 61st out of 64 cities for long term population decline in both absolute and relative terms, highlighting the extent of this issue in Sunderland. The declining / near-static population limits the size and future shape of the city's workforce and skills base, which deters investors and limits the aspirations of its residents, especially young people.

The long-term deterioration in the quality and choice of homes across Sunderland, highlighted by the proportion of properties in the lower Council Tax bands, is one of the key causes of this slow population growth. In recent decades, higher-wage workers and younger people are choosing to migrate out of Sunderland to find more desirable, higher quality homes and the opportunities that families and individuals need to achieve their ambitions. Significant investment in housing is underway and a clear priority in the City Plan.

SOCIAL INCLUSION AND POVERTY

A local analysis of the impact of the Cost of Living crisis in Sunderland was presented to the Sunderland City Board in May 2022, with key findings and challenges summarised below:

- 10 years on from the Marmot review, we are seeing increasing inequality particularly in the North East.
- 27% of the city's children were living in poverty in 2020.
- Welfare reforms between 2010 and 2021 are estimated to have cost Sunderland residents £150 million per year (£840 per working age adult) – the figures do not include Universal Credit.
- Initial estimate that 50,000 households in the city may be unable to meet their essential needs by the end of this year.
- Trussell Trust foodbank usage has increased by 128% over the last 5 years; local foodbank usage figures for people fed increased from 10,809 in 2019/20 to 19,674 in 2020/21 - an 82% increase (local usage under reported).
- The number of UC claimants in Sunderland increased from just over 18,000 at start of pandemic to 31,000 now (13,000 increase or 72%).
- Loss of income from UC uplift of £20 per week had a projected impact on Sunderland residents of £30 million p/a.
- Prices (28%) have increased faster than wages (26%) and benefits (14%) over the last decade.
- Many more people will be at risk of homelessness due to an inability to pay their mortgage, rent and other debts.
- Areas facing higher levels of deprivation have poorer health and education outcomes, lower average incomes.
- Higher numbers of people are receiving in work and out of work and sickness benefits and are more adversely impacted/find it harder to respond quickly.

Drawing on Joint Strategic Need Assessment research, the main factors associated with poverty and exclusion include:

- Parental qualifications and skills
- Worklessness, income from benefits, underemployment and low paid work
- Poor health
- Lone parent families
- Minority ethnic backgrounds
- Caring responsibilities

- Affordable, good quality housing
- Domestic violence.
- Best start in life
- Young people's education and skills
- Cost of living – childcare, food poverty and quality, fuel poverty, family debt.

These factors are compounded by other significant issues that mark out some areas as requiring specific locally tailored support, including:

- Relatively high unemployment particularly among certain target groups such as women, young people disabled people, ex-offenders, BME groups, single parents and older workers
- Low adult skills and qualifications
- High numbers of low paid jobs
- Poor health and wellbeing, particularly poor mental health
- Extremely high numbers of lone parents claiming out of work benefits
- A significant attainment gap, particularly at Key Stage 4, between pupils living in poverty and those who do not
- Relatively low levels of enterprise activity.

All these factors contribute to some areas having higher IMD rankings as well as lower levels of employment and business growth.

HEALTH AND WELLBEING

Like much of the North East, chronic ill-health is a major factor impacting on Sunderland's labour market. Parts of the city exhibit comparatively high rates of long-term unemployment, inactivity and poor long term health trends. While a number of programmes and projects have been implemented to tackle these issues, such as the North East Mental Health Trailblazer, Building Better Opportunities programmes and Community Led Local Development, more community-led interventions are required to engage and support individuals who are socially isolated or furthest from the labour market.

According to the IMD 2019, 33% of residents in Sunderland live within the 10% most deprived LSOAs in England for Health and Disability deprivation. Within the most deprived areas of the city, there are several pressing health challenges:

- High levels of obesity - the percentage of adults classed as overweight or obese is 70.8%, higher than the North East (68.6%) or England average (64.6%) (Public Health Outcomes Framework).
- Higher than average levels of alcohol consumption and misuse - across Sunderland, per 100,000 people, there are 967 alcohol related hospital stays per annum. Alcohol misuse is closely related to economic inactivity and unemployment, and approximately half of all Sunderland's violent crime is classed as alcohol related. There are also clear linkages between alcohol misuse and domestic violence.
- Less than one quarter of adults take part in sport and active recreation for 30 minutes 3 times a week.
- High percentages of households have someone with a long-term health problem or disability.

- Mental health, low life satisfaction, social isolation/loneliness and high anxiety are prevalent among some communities and groups, and in many cases, this has been exacerbated by Covid-19.

LOCAL INFRASTRUCTURE PROVISION AND ACCESS TO SERVICES

Through ongoing research and engagement work it is apparent that there is a shortage of capacity-building and training support across the VCSE sector as a whole. Over the last decade in Sunderland, a number of VCSE groups have either downsized or ceased to exist. The consequence of this is that those more deprived communities where VCSE sector presence has reduced have less capacity and are therefore less able to attract external funding for new projects and services. Meanwhile, those areas in the region and across the UK with a stronger infrastructure and more dedicated support are more likely to succeed in attracting new investment.

This trend is supported by recent surveys undertaken by the Northern Rock Foundation and more recently by Voluntary Organisations' Network North East (VONNE).

Recent consultation carried out across Sunderland between February-May 2022 engaged 128 individuals from voluntary sector organisations who highlighted the need for ongoing infrastructure support to strengthen and grow the sector. Powerful messages were received around key areas of need, support and advice. These are highlighted as follows:

- Work to secure longer term funding to improve productivity and outcomes
- Support to sustain and grow the sector
- Support to strengthen Management and Governance arrangements
- Huge need to support the recruitment and sustainability of staff and volunteers
- Support organisational reviews and improved business planning
- Support the completion of successful funding applications
- Wider collaboration across the VCS and the wider partners
- Needs led service developments
- Focus on outcomes not just service delivery based on identified needs
- Develop communication and engagement including digital platforms to raise the profile of the sector

Key challenges for Sunderland's VCS sector can be summarised as follows.

- There are a large number of smaller to medium sized VCSEs in the city which work mainly at a local level and are unlikely to engage in large scale contract working. There is scope for supporting and developing some or looking at delivering in collaboration with others which requires support, advice and facilitating. The view from the sector is that if they are to meet the increasing demands and needs of local people, through social prescribing for example, it is important that the sector is expanded and supported. The sector's role in supporting individuals, households and communities should still be strongly valued. Investment through relatively small grants produces significant benefit in maintaining individuals' wellbeing, social growth and community cohesion.
- There are a small number of larger VCSEs operating in the city which are more likely to be engaged in contract work now or have potential to do so in the future. Some investment in capacity building may be beneficial in this part of the sector but tailored specifically to the needs of individual organisations.

- There is demand for support to smaller or medium sized VCSEs to increase organisational capacity (particularly governance, legal matters, employee and volunteer management). This would stabilise current delivery and strengthen the potential for growth
- There are many sources of information available to VCSEs in relation to funding opportunities available however some organisations also require support with project development, fundraising and upskilling generally to improve success rates. While it is not necessary to replicate those services, smaller to medium sized VCSE organisations would benefit from support in identifying, developing and accessing such opportunities.
- Inter-sector working and engagement in collaborative governance and/or co-production of strategic initiatives should be encouraged. This currently works on two levels. Smaller and medium sized VCSE organisations generally connect with SCC via the Area Committees and the VCS networks. The review highlighted those mechanisms which are well established and work well. There is a huge opportunity to develop collaborative working to enhance future funding applications and service developments and delivery.
- Larger VCSE organisations do connect at an area level but are more likely to have citywide interests. There is real scope for increased partnership working to avoid duplication of provision and identify any gaps in a joined up way.
- Volunteers offer considerable support through small to medium sized organisations and this is mainly achieved through locally based interactions. A small number of larger VCSE organisations offer substantive opportunities but tend to do so autonomously. A real issue across all organisations and sizes and there is scope for a citywide campaign and ongoing support to generate new interest from local people to support neighbourhood services and developments.

DIGITAL POVERTY

Despite many initiatives and significant investment, 9 million people in the UK still struggle to use the internet independently and we know that Covid-19 has exacerbated the digital divide. Latest recorded figures show recent internet usage (within 3 months) stands at 79.5% in Sunderland compared with 90.8% across the UK which demonstrates the need for continued focus and effort locally.

Cambridge University reported in 2020 that lockdown has served to highlight our reliance on virtual means of staying in touch. Critically, it has also thrown into sharp definition the issue of digital exclusion, which has been a reality for the 22% of the UK's population who lack basic digital skills since long before the Covid-19 outbreak (Lloyds Bank Consumer Digital Index 2019).

As an aspect of deprivation in the UK, digital exclusion cannot be overlooked. The likelihood of having access to the internet from home increases along with income, such that only 51% of households earning between £6,000-10,000 had home internet access compared with 99% of households with an income of over £40,001. The link between poverty and digital exclusion is clear: if you are poor, you have less chance of being online.

Children living in poverty are already significantly disadvantaged compared to their wealthier peers and lack of access to suitable devices has also caused problems for some children. Digital exclusion also contributes to fuel poverty as online energy plans are some of the cheapest gas and electricity deals available on the gas and electricity market today, so customers who cannot access these on line can pay more for services and they may miss out on cheaper energy and broadband tariffs as they do not have the ability to switch. The largest switching company Uswitch only operates online or over the phone, creating an instant barrier to those who are digitally excluded or cannot afford to pay for lengthy telephone calls.

In addition, Age UK state that 4.2 million elderly people are being discriminated against, as they do not use a computer and miss out on the energy industry's cheapest deals. Poverty is also a barrier to internet connectivity, and it is very concerning how many residents are unable to fund broadband /

data, as well as the lack of access to digital devices / digital skills. Many residents and families across the city must make the decision to buy food, fuel and then data. This has become clear during the pandemic and the issue is particularly affecting younger people who have the skills and technology but who are unable to connect at home due, to lack of broadband / data in the home.

MAXIMISING THE POTENTIAL OF THE CITY'S GROWING CULTURAL INFRASTRUCTURE

Culture is cited in the City Plan as a contributor to the vibrancy, health and dynamism of the city – with an increase in creative and cultural businesses and an increase in cultural participation both cited as ambitions between now and 2030.

Historically, Sunderland has struggled to leverage the appropriate levels of investment needed to enable its cultural sector to thrive. This has been due to insufficient infrastructure, low numbers of practicing artists based in the city, and low levels of confidence within local organisations.

Over the past 5 years, things have started to change. The foundation of Sunderland Culture has enabled an increase in external investment into the city's cultural organisations. Nevertheless, this growth has taken place from a very low base and Sunderland still has an under-developed cultural infrastructure and sees lower levels of cultural investment compared to other cities of its size.

The city has just 5 principle cultural venues working across visual arts, performing arts and heritage:

- National Glass Centre and Northern Gallery for Contemporary Art – Visual Arts and Crafts
- Sunderland Empire - Theatre
- The Fire Station – Music and performance
- Sunderland Museum & Winter Gardens – Museums, Heritage and Exhibitions
- Arts Centre Washington – multi arts venue

Sunderland only has one National Portfolio Organisation, Sunderland Culture, which delivers the creative programme across National Glass Centre, Northern Gallery for Contemporary Art, Sunderland Museum & Winter Gardens, Arts Centre Washington and The Fire Station. During the 2018-2022 NPO funding period, this equates to a per capita investment of £1.80 per annum for Sunderland residents (compared to an equivalent £30.37 per capita, per annum investment in Newcastle).

Over the past 3 years, the city has seen the growth of a number of smaller, independent venues, including the new Pop Recs and developments at the Atheneum. Yet despite this recent growth, many have only been able to access intermittent investment. As a result, many are poorly resourced and remain highly reliant on volunteer and/or part-time management, and the city has not maximised the impact of these highly entrepreneurial developments.

This means, residents of the city have access to a relatively limited cultural offer compared to residents of other cities of the same size. Not surprisingly, this and other contributing factors such as the socio-economic profile of the city, mean levels of engagement in culture amongst the city's residents are comparatively low, with 60% of the population identified as within the demographics with the lowest propensity to engage (Audience Finder) and identified in the bottom 20% of local authorities through the Taking Part survey. Although levels remain low, Cultural Spring and other arts-based initiatives have demonstrated local success in widening participation and access to

cultural activities. With health inequalities stark in Sunderland, boosting opportunities for cultural engagement across the population could bring significant health and wellbeing benefits.

The fragility of the infrastructure and low levels of cultural engagement also means the city has a smaller cultural workforce, despite over 600 graduates from the University of Sunderland's Faculty of Arts and Creative Industries each year. Around 75% of those graduates stay in the region, yet Creative Industries Gross Value Added (GVA) in Sunderland is poor at 1.3% (1.7% regionally and 3.5% nationally). A key issue is lack of workspace, lack of access to continuing professional development, seed funding and other types of investment. Schemes like Sunderland Culture's Unlock programme have shown how relatively modest investment can start to make significant differences here.

HISTORIC BUILDINGS AND HERITAGE LOCATIONS AT RISK, AND UNDER-UTILISED DEVELOPMENT AREAS

- Sunderland's historic environment includes an extensive range of designated heritage assets, including 10 Scheduled Ancient Monuments, almost seven hundred Listed Buildings (including 9 Grade I listed and 16 grade II), 2 registered Historic Parks and Gardens and 14 Conservation Areas. The majority of these are located predominantly in urban areas in Sunderland, with concentrations in the city centre.
- Sunderland currently has 9 Scheduled Ancient Monuments or Grade I / II listed buildings and 2 Conservation Areas on Historic England's Heritage-At-Risk Register in 2015.
- The Heritage Action Zone (HAZ) area includes 28 listed buildings, 2 of which are grade I listed, 2 grade II and the remainder grade II, and dozens of unlisted buildings of heritage value.
- The HAZ is focused along the Historic High Street, Fawcett Street and Church Street East in Sunderland city centre, where economic decline is most evident and there is the greatest concentration of heritage assets at risk or in poor condition in the central area of the city.
- One listed building, the grade I Holy Trinity Church, is on the Heritage-at-Risk register. Five grade II listed buildings are considered to be at risk, 3 unlisted historic buildings are considered to be at risk and numerous listed and unlisted buildings are in poor condition and have urgent repair needs
- Both Conservation Areas on the Heritage-at-Risk Register - Old Sunderland Conservation Area and Old Sunderland Riverside Conservation Area – are located in the HAZ area.
- Whilst the designation of the Heritage Action Zone is undoubtedly an important step change (although is still time-limited), challenges remain in respect of the procedures and processes which hinder activity from taking place.

CRIME AND DISORDER

The Northumbria Strategic Needs Assessment (Northumbria Violence Reduction Unit, 2021) documents a number of trends in crime in the last 2 years. Specific observations relating to Sunderland are as follows:

- Since the easing of restrictions and the opening up of the Night Time Economy (NTE) from April 2021 we saw greater footfall in our towns and cities as people looked to return to their normal work and life patterns, this resulted in higher levels of incidents of disorder and violence consistent in South Shields, and Newcastle and Sunderland City Centres.
- We have seen an increase in youth Anti-Social Behaviour (ASB) and disorder in Town and City Centres, and within some of our communities, where youths are congregating and causing

disorder. These issues are causing unease with visitors, residents and the business community and can escalate into more serious incidents.

- Almost a third of the serious violence offences were domestic related during 2021, accounting for 6,169 offences, 81% occurring in a residential setting. With 75% of offences were assaults and three quarters of those were committed against females.
- The Local Authorities with the highest rates of permanent exclusions [from school] were Newcastle and Sunderland who both had a permanent exclusion rate of 0.14 per 10,000 which is almost double the national average.
- ASB can be a precursor to more serious offending, whilst levels have decreased during 2021, they are still above pre-Pandemic levels from 2019. Recently there have been particular issues experienced in both Newcastle and Sunderland City Centres with youth ASB and disorder now escalating into violence.
- Specific harm hotspot areas in Sunderland exist and require multi-agency support and coordination to tackle ASB, crime and community safety challenges. These areas include: City centre – adult and youth disorder; Bunny Hill & Seafront – adult and youth disorder; Easington Lane – youth disorder; East Rainton – adult disorder; Farrington Hall – youth disorder; The Galleries (Washington) – youth disorder

SHARED LOCAL AND REGIONAL CHALLENGES

Key regional challenges facing the North East economy are set out below:

- The North East has a higher percentage of older workers than England.
- The North East was closing the employment and economic inactivity rate gaps with England excluding London, but these gaps have widened due to the impact of Covid-19.
- Real GDP growth has been slow in the North East LEP compared to nationally, especially since the 2008 recession. GDP per head is highest in Newcastle partially due to the inflow of commuters to the city.
- Productivity growth in the North East LEP area has yet to fully close the gap compared to England excluding London. Within the North East LEP productivity is highest in Sunderland due to the highly productive automotive cluster.

Challenges relating to the Communities and Place investment priority include:

- The North East experiences proportionately more crime and public disorder than England excluding London, although less violent crime (ONS, 2021).
- Small area deprivation is more common in the NE than nationally, particularly health and employment related deprivation. Income, crime and education deprivation also above national average (IMD, 2019).
- Participation in cultural activities in the North East is generally lower than nationally, but there is variation across the North East.
- Life satisfaction in the NE is at its lowest since 2012/13 (ONS, 2021).
- The NE suffers from poor health outcomes and health inequalities between gender and local area (Public Health England).

- The number of children in low-income households has increased between 2014 and 2021. The North East now has the highest rate of child poverty of anywhere in the UK, for the first time overtaking London as the nation's hotspot for hardship and deprivation (End Child Poverty, 2022). Although the latest UK-wide figures show child poverty rates overall fell slightly in the first year of the pandemic due to the temporary £20 weekly uplift to universal credit, detailed breakdown shows child poverty continued to rise in areas like Sunderland, Newcastle and Middlesbrough.
- Place vibrancy – In April 2022, NE visits to workplaces were still 14% below pre-Covid-19 levels, retail and recreation visits were still 7% lower. Tyne and Wear retail and recreation visits were at 88% of early 2020 levels.
- Participation in cultural activities in the North East is generally lower than nationally, but there is variation across the North East. Engagement is generally higher than average in Newcastle and North Tyneside, and lower than average in Sunderland and County Durham.

The challenges set out above have been informed by local and regional engagement, and a review of key strategic documents and evidence sources.

LOCAL AND REGIONAL ENGAGEMENT WORKSHOPS

Local engagement with public, private and VCS organisations was kickstarted with a presentation to the Sunderland Voluntary Sector Alliance on 18/05/22, attended by 66 voluntary organisations, and public / private partners including community interest companies, charities and co-operative organisations alongside health and housing partners from across the city. The event set the scene for a series of 5 local workshops across each of the 5 Sunderland regeneration areas from 07/06/22 to 15/06/22 attended by over 100 local organisations and 130 participants.

During each workshop, attendees were asked to identify the top 3 challenges and priorities, and how UKSPF would be best used to address these and maximise local impacts. These challenges and priorities were collated based on the most regularly cited theme. The findings are summarised below.

Communities and Place challenges: Social isolation of particular groups and difficulty in engaging them in activities; Lack of overall youth provision; Lack of access to cultural provision; Anti-social behaviour; Accessibility and transport issues; Poor health, accessing social prescribing and mental health support; Need to build VCS network support and volunteering; Partnership-working and building trust between local organisations; Sustainability of support to VCS organisations; Cost of living challenges; Digital exclusion and infrastructure.

Communities and Place priorities: Community infrastructure, VCS capacity-building and engagement; Volunteering programmes; Intergenerational activities and community cohesion; Youth provision, events and outreach; More partnership-working and resource sharing; Improving health and wellbeing support in local centres; Supporting measures to address cost of living crisis – welfare support, household budgeting, energy advice, life skills; Improving the physical and natural environment; Local community safety and crime prevention initiatives; Improved support for people with poor health and disabilities and how it affects peoples' life chances.

Supporting Local Business challenges: Lack of workforce to fill posts; Shortage of quality jobs with pay and career progression; workforce development and training; in-work support for people with learning difficulties/difficulties; employment opportunities for young people.

Supporting Local Business priorities: Business and skills investment in key growth sectors such as advanced manufacturing (including electrification), software, digital and technology, creative industries (including screen), financial, professional and business services, health and social care;

Employer incentive schemes; Renewed focus on apprenticeships, work experience and supported employment programmes (e.g., Kickstart, Future Jobs Fund type initiatives).

People and Skills challenges: Engagement of the hard to reach and isolated including those who are economically inactive and other cohorts/groups furthest from the labour market; shortage of skilled and quality jobs with pay progression; lack of useful trades; need for digital and life skills; Improving work opportunities for young disabled and young adults with ASD/autism.

People and Skills priorities: Upskilling the workforce; Sustainable/stable employment opportunities; Timely access to services to support journey back to work; Improved matching of people with job opportunities locally; Digital and functional skills; Flexible learning opportunities; Pilots to demonstrate benefits of working; More support for young people in accessing work experience (in VCS / business sectors), careers advice, training and employment; Improved focus on inclusion and overcoming barriers to reach those least engaged.

In addition, a regional stakeholder event was co-organised in May 2022 by the North of Tyne Combined Authority, North East Combined Authority and Local Enterprise Partnership. The event was targeted at those organisations wishing to explore joint working on common priorities. The top five issues identified for Communities and Place were: (1) Strengthen the skills supply to meet sector demand; (2) Reduce unemployment and economic inactivity; (3) Improve health outcomes; (4) Upskill/train those in employment – increase the number of apprenticeships, address unstable employment; (5) Support for specific demographics (e.g., older workers, women).

STRATEGIC ALIGNMENT

The issues identified here align with the following key documents and consultations at a local level:

- North East Strategic Economic Plan
- Sunderland City Plan and its associated challenges
- Sunderland Community Wealth Building Strategy
- Sunderland Health Inequalities Strategy
- Sunderland Housing Strategy
- Sunderland Smart City Ambition – exploring opportunities to target digital inclusion, improve access and skills
- Sunderland Low Carbon Framework
- Safer Sunderland Strategy
- Sunderland’s 5 Neighbourhood Investment Plans (Coalfield, North, East, West, Washington)
- Sunderland engagement campaigns including Let’s Talk Sunderland
- Sunderland’s Community Led Local Development Strategy (2017-2022) and External Evaluation Impact Reports (2020 & 2022)

EVIDENCE REVIEW

The following sources were also used to identify our key challenges:

- North East Intelligence Hub – drawing on a range of national, regional and local data including Index of Multiple Deprivation, ONS and Census 2021

- Local data on housing, health, fuel poverty, void rates / empty properties, cultural participation, cost of living crisis, anti-social behaviour, crime and community safety, and active travel.
- Research reports and analysis produced by Arts Council England and Sports England on culture, heritage, and health
- Evaluation of ESIF projects and their impacts
- Project summative assessments, evaluations and local case studies
- Core Cities / Key Cities research and the Centre for Cities Outlook 2022
- Best practice, recommendations and guides via the What Works Centre for Local Economic Growth.

In addition, to inform our investment plan, a logic model approach will be developed for each of the investment priority areas. These will draw on good practice from the HM Treasury Green Book, Magenta Book and ESIF project development, and summarise:

- The local evidence base, challenges, priorities, and the rationale for intervention
- The objectives of the interventions under each theme, based on SMART objectives and baseline measures to ensure we know we are making progress
- The options for achieving the objectives including resources that can be deployed
- Inputs
- Examples of activities / interventions
- Outputs – the quantitative outputs that will be generated
- Outcomes – the quantitative results that will be generated
- Transformational impacts, including multipliers and non-monetisable benefits
- Value for Money considerations
- External factors and risks that might impact on delivery.

Investment Priority 2: Supporting Local Business – Local Challenges & Evidence Review

ENTERPRISE AND ENTREPRENEURSHIP

Sunderland has a strong industrial heritage, and whilst its traditional industries of coal mining and ship building have been replaced by advanced manufacturing and business services, the area still has a relatively narrow industrial base.

As the City Plan recognises, this is, in part, because Sunderland has been more successful in attracting inward investors than supporting indigenous businesses to set up and grow. The area has lower self-employment and educational attainment rates than the national average. Business birth rates and business stock are also low in comparison to the national average, and self-employment and enterprise formation rates are even lower in the most deprived wards of Sunderland and among certain groups within these areas.

The rationale for investing in Supporting Local Business (SLB) interventions is clear from the identified market failures in the local economy. There have been several successful time-limited interventions over recent years that have demonstrated that enterprise and entrepreneurs can be engaged and succeed in the local economy, given the right support.

Research conducted to support the delivery of Sunderland's Community Led Local Development programme identified that major issues and challenges in respect of enterprise and business start-ups continue to exist, especially in the most deprived areas of the local authority:

- Latest data shows that the business birth rate remains lower in Sunderland than regionally and nationally. Business stock and business start-up rates are relatively low in comparison to national averages - 390/10,000 working population for Sunderland and 723/10,000 working population for GB (ONS Business Demography 2021, ONS Mid-Year Population Estimates 2021).
- The private sector is underdeveloped, and there is a dependency on large and public sector employers.
- Skill levels are relatively low – only 24.7% (42,500 people) of the resident population in Sunderland aged 16-64 have skills at Level NVQ 4 or above, compared to the North East average 34.4% and England average of 43.5% (Jan-Dec 21 ONS Annual Population Survey).
- Local and community enterprise support services in Sunderland were scaled back in the period 2010-2020 especially.
- There appears to be less support for businesses post start-up and business support is often segmented for specific types of business or sectors.
- There is a growing number of residents who are more neutral about enterprise but could perhaps be encouraged to consider self-employment.
- Income insecurity is a key issue.
- There is a disconnect between local disadvantaged communities and developments elsewhere in the city.

Over recent years, there has been much research at both a local and regional level that has identified the market failures in the local and regional economy, particularly in relation to enterprise and business start-up activity.

Sunderland's enterprise deficit is characterised by:

- Below average business density.
- Low business start-up rates.
- Low self-employment rates.
- Low numbers of women in business.
- Low levels of innovation and entrepreneurship.

Often, multiple factors combine which make it more challenging for different client groups to become self-employed and start a business. Local research and engagement have identified several themes and factors that act as barriers to enterprise and entrepreneurship in Sunderland. Our research has drawn on existing desk-based research and feedback from residents, as well as engagement with business support providers, employers and wider stakeholder organisations.

Key challenges and barriers include:

- Different levels of awareness and attitudes towards enterprise.
- Some residents feel disconnected from the wider regeneration plans and economic opportunities within Sunderland affecting local stimulus for enterprise.
- Some areas or residents may lack opportunities or aspiration which can act as a barrier towards enterprise development.
- The need for income security and concern about perceived financial risks of self-employment.
- Perceptions of needing an innovative 'business idea' opposed to developing a business using existing skillsets.
- Higher propensity of people moving into self-employment following a position of employment opposed to unemployment.
- Risks and support needed to move from informal enterprise (working at a level where benefit payments are not affected) to formal enterprise / self-employment.
- Awareness of the help that is available, and a high representation of potential start-ups in sectors where support hasn't traditionally been focussed.
- Importance of local grassroots organisations in supporting local residents into employment, particularly those who are unlikely to engage with other providers.
- A lack of outreach support and services based within communities to aid accessibility to residents.
- A lack of confidence and recognition of skills and talents that local people possess that would enable them to be self-employed.
- Perceptions that enterprise support and advice is only available to certain client groups or that it is limited to certain sectors or business types.
- Disconnection between support services / mentors and the young people and residents from deprived communities who lack access to both informal support networks and formal networks at the pre-start and start-up stage.

Some of these challenges have been addressed successfully through a more localised enterprise support approach, delivered, for example, through the Sunderland Community Led Local Development

Programme. Where there is evidence that this approach has worked, these types of projects will be encouraged to collaborate and develop new initiatives through open calls.

Key challenges facing Sunderland that we will seek to address under the SLB investment priority will include:

- Continuing to diversify the economic base – Whilst Sunderland’s traditional industries of coal mining and ship building have been replaced by advanced manufacturing and business services, the area still has a relatively narrow industrial base and the existing base needs to continue to evolve and adapt (e.g., for advanced manufacturing to decarbonisation, electrification and digitisation). This is, in part, because Sunderland has been more successful in attracting inward investors than supporting indigenous businesses to grow, as evident from the relatively low numbers of business start-ups in the area.
- Promoting a start-up culture and closing the enterprise gap - The area has relatively low self-employment rates compared to the national average. Business birth rates and business stock are also comparatively low and even lower in the most deprived wards of Sunderland. Of the 124,900 people in employment in the city Jan to Dec 21, 7.7% of the total working age population (economically active and inactive) were in self-employment, compared to a national average of 9.3% (NOMIS/ONS Annual Population Survey).
- Improving business survival rates by creating a stronger local enterprise ecosystem - Business survival rates over a 5-year timeframe from 2015-2019 were also lower in Sunderland (37.1%) and South Tyneside (31.5%) than the Tyne and Wear (37.4%) and North East (38.3%) averages (ONS Business Demography Data, 2021).
- Ensuring that all population groups have access to the best advice, support and resources to start up a business. There is a complex pattern of enterprise activity among different population groups. For example, self-employment rates among women have been increasing but remain well below the average rates for males at both a local and national level. Self-employment rates for young people are also low compared to the overall population and are particularly low within the most deprived areas of the city. By contrast, self-employment rates among people from BME backgrounds are higher than the average.

The research undertaken highlights the complex pattern of enterprise and the differences among population groups, which have implications when considering enterprise services within Sunderland and more specifically within the most deprived areas.

- Women - The data suggests that self-employment rates among women are increasing gradually but remain well below the average rates for males at a local and national level.
- BME communities - Although people from BME backgrounds within Sunderland are more likely than White residents to be self-employed, there are differences between BME groups with Asian / Asian British having higher self-employment than people from other BME backgrounds. This may suggest there is a need to better understand the various needs within this diverse population group.
- Young people - Self-employment rates for young people are very low, particularly within Sunderland. Research suggests, however, that a higher proportion of young people have an interest in starting a business compared to the number who go on to become self-employed/start a business.
- People with a disability/health condition - Within Sunderland, self-employment rates for people with a disability or limiting illness were higher than the overall self-employment rate. And rates were slightly higher for those ‘limited a lot’ by an illness compared to those ‘limited a little’ by an illness, which contrasts with the national average. However, typically people with a disability or limiting illness have lower employment rates overall. An important factor affecting levels of enterprise

activity is the business support landscape, i.e., the availability and accessibility of services to support people into enterprise.

SHARED LOCAL AND REGIONAL CHALLENGES

The analysis of local business development challenges in Sunderland is complemented by a wider range of data and research compiled at a regional level through the North East Intelligence Hub - <https://evidencehub.northeastlep.co.uk/ukspf>

Key regional challenges facing the North East economy, and the business community particularly, are set out below:

- The North East LEP has a low number of businesses per head reflecting the small size of the private sector in the region.
- The North East LEP area has consistently low business birth and death rates, limiting the potential for private sector growth. The North East LEP area has the lowest business birth rate within the Core Cities.
- North East goods exports increased by 5% in Q4 2021, but exports for 2021 overall were 12% below exports in 2019. Relative to 2014 North East export levels are lower than all comparator regions.
- Road vehicles exports have seen a 42% decrease since Covid-19, initially due to lock-downs directly impacting production, and more recently as a result of the global semiconductor shortage. Other commodities have grown by 2%.
- Service exports from the NE have improved recently, but to the EU fell in 2019, following a national trend.
- Relative to before Covid-19 levels of job adverts in the North East have increased more quickly than in England. North East businesses are finding it more difficult to fill vacancies due to low application numbers and a lack of qualified applicants. This is despite relatively high levels of worklessness.
- The North East region has a relatively low share of 'better jobs' and degree educated workers across all sectors. In 2019, almost 40% of North East LEP businesses had under-utilised workers, 5% higher than nationally.
- The North East has a high proportion of innovation active businesses, but low levels of R&D spend and patents granted. Innovation in the region has tended to focus on process rather than product, resulting in businesses that are more productive and profitable in what they do, but which employ less people through technological substitution, and which are less able to keep up with changes in consumer demand.
- Productivity growth in the NELEP area has yet to fully close the gap compared to England excluding London.

RECOVERING FROM THE COVID-19 PANDEMIC

The Covid-19 pandemic has had a severe impact on many businesses in the hospitality, leisure and accommodation sector (as well as those that supply to them), particularly in the city centre, with footfall reduced by people working from home. Footfall in the city centre fell dramatically during the pandemic, in line with comparable locations elsewhere, and it hasn't yet fully recovered. The impact of increased working from home among city centre employers is evident. Operational constraints have limited the numbers of customers that can be accommodated on premises, meaning that even when businesses are open, they are often barely breaking-even. Moreover, in

many cases business remains slow, with many people still concerned about Covid-19, leading them to avoid crowded places. The so-called 'pingdemic' has forced some businesses to close or operate at a reduced level due to staff having to self-isolate or look after children sent home from school. Travel agents have been particularly hard hit, and one of the city centre's major employers is in this sector. With an end to the grants that have been made available to help businesses throughout the crisis, some companies may be hard pressed to survive.

Nevertheless, there are encouraging signs of business resilience, with an increase in the level of interest in city centre properties, as well as a growing number of enquiries received by Sunderland Business Improvement District (BID). This comes at a time when there are a series of new developments coming on stream in the city centre that will help to make it an attractive location for businesses in the hospitality, leisure and accommodation sector.

The challenges set out above have been informed by local and regional engagement, and a review of key strategic documents and evidence sources.

LOCAL AND REGIONAL ENGAGEMENT WORKSHOPS

Local engagement with public, private and VCS organisations was kickstarted with a presentation to the Sunderland Voluntary Sector Alliance on 18/05/22, attended by 66 voluntary organisations, and public / private partners including community interest companies, charities and co-operative organisations alongside health and housing partners from across the city. The event set the scene for a series of 5 local workshops across each of the 5 Sunderland regeneration areas from 07/06/22 to 15/06/22 attended by over 100 local organisations and 130 participants. During each workshop, attendees were asked to identify the top 3 challenges and priorities, and how UKSPF would be best used to address these and maximise local impacts. These challenges and priorities were collated based on the most regularly cited theme. The findings are summarised for all three investment priorities in the Communities and Place challenge section above.

SUPPORTING LOCAL BUSINESS – LOCAL WORKSHOP

As part of the development of Sunderland's investment plan the City Council held local engagement workshops in June 2022 in each of the 5 regeneration areas of Sunderland (Coalfield, North, East, West and Washington) preceded by a business support focused workshop in May 2022. The business workshop was attended by over 20 participants from over 15 local and regional business support organisations.

- Key themes, challenges and priorities identified were as follows:
- Increase start-up rates in the city and region
- Ensure sufficient flexibility to support all business types including retail, hospitality, leisure and personal services
- Recognition that existing businesses are facing cash flow challenges
- Promote interventions that drive footfall in city and town centres (20% down on average currently)
- Investment and growth support is required for existing businesses (not just new ones);
- Support for recruitment and skills (recognising the major challenges businesses are facing with recruitment)
- Support needed for those businesses who fall between start up and scale up stages.
- Support required for digital transformation
- Supply chain programme to assist Sunderland businesses to win opportunities

- Adaptation and resilience support needed for businesses
- Social enterprise start up and growth support (linked to the Community Wealth Building agenda)
- Sector specific, specialist and supply chain support (e.g., creative, screen/film industry) and strengthening ongoing development and adaptation of existing sectors
- Business growth pathways from start-up through to scaling up
- Promote local supply opportunities and educate what businesses there are locally
- Help city's businesses demonstrate their passion, pride, ambition and assets.

SUPPORTING LOCAL BUSINESS – REGIONAL EVENT FEEDBACK

In addition, a regional stakeholder event was co-organised in May 2022 by the North of Tyne Combined Authority, North East Combined Authority and Local Enterprise Partnership. The event was targeted at those organisations wishing to explore joint working on common priorities.

The top 5 issues identified for Supporting Local Business were: (1) Strengthen skills supply to meet demand, specifically in sectoral specialisms; (2) Increase the rate of business start-ups; (3) Grow our business base within our sectoral specialisms; (4) Support more businesses to grow; (5) Increase the number of innovation active businesses.

STRATEGIC ALIGNMENT

The issues identified here align with the following key documents at a local level:

- North East Strategic Economic Plan
- Sunderland City Plan and its associated business support challenges
- Sunderland Community Wealth Building Strategy
- Sunderland Smart City Ambition
- Sunderland Low Carbon Framework
- Sunderland's Community Led Local Development Strategy (2017-2022) and External Evaluation impact reports (2020 & 2022) – both interventions and model of delivery.

EVIDENCE REVIEW

The following sources were also used to identify our key challenges:

- North East Intelligence Hub – drawing on a range of national, regional and local data including Index of Multiple Deprivation, ONS and Census 2021
- Local data on enterprise support, business start-ups, business decarbonisation, and research, development and innovation
- Research reports and analysis of productivity reviews, manufacturing growth programmes, software/digital adoption, innovation and social enterprise support programmes.
- Evaluation of ERDF projects and their impacts
- Project summative assessments, evaluations and local case studies

- Core Cities, Key Cities and Centre for Cities reports/research
- Best practice, recommendations and guides via the What Works Centre for Local Economic Growth
- Area based initiatives review – 15/27 studies report positive effects on employment
- Access to finance evidence review – most programmes appear to improve access to finance, although there is limited evidence of an impact on productivity and employment.

Investment Priority 2: People and Skills – Local Challenges & Evidence Review

EMPLOYMENT, EDUCATION AND SKILLS

Unemployment and economic inactivity continues to be a major issue in the city. Irrespective of what measure is used, or where we are in the economic cycle - or indeed the interventions that are brought forward to enhance access to opportunities - the city always exhibits about one-and-a-half times the national rate (6.8% of those economically active in 2020, compared to 4.6% nationally).

Experience has shown that simply creating more jobs can simply result in attracting daily commuters and migrant workers, meaning that without accompanying measures to enhance the employability of the resident population enhancement, the local population doesn't benefit in the way that it should. Persistently high levels of unemployment are set within the context of the broader issue of worklessness, which encompasses issues such as ill-health - 10.5% of those who are classed as economically inactive are workless due to long-term sickness in Sunderland, compared to 6.9% in the region as a whole and 4.9% nationally. Work to address health inequalities has a key role to play.

As the Sunderland City Plan recognises, education, health and wellbeing are intrinsically linked. Education is strongly associated with life expectancy, morbidity, health behaviours and educational attainment plays an important role in health by shaping opportunities, employment and income.

Sunderland's Joint Strategic Needs Assessment (2021/22) describes several local challenges that relate to the People and Skills investment priority and that adversely affect people's life chances:

- Employment is lower than the national average and remains unevenly distributed locally and regionally
- According to Sheffield Hallam University's research on the real rate of unemployment, Sunderland's rate in early 2022 was 36th highest of all local authorities with an estimated rate of 9% (based on 8,810 unemployment benefit claimants and 6,800 hidden on incapacity benefits)
- 27.4% of Sunderland's population is economically inactive and 38.1% of the economically inactive are long term sick compared with 30% in the North East
- There is a relatively high proportion of economically inactive people who want a job. In Sunderland, it is estimated that 20.4% (9,700 people) of the economically inactive cohort (47,600 people) wants a job (Jan 21-Dec 21 ONS Annual Population Survey)
- In 2021 there was a lower percentage of 16–64 year-olds in Sunderland who were qualified to at least NVQ Level 4 or higher (24.7%) compared to the region (34.4%) and GB (43.5%)
- People with no qualifications are less than half as likely to be in employment compared to graduates. In Sunderland 10.1% (17,400 people) of the resident population aged 16-64 (173,600 people) has no qualifications, compared to the North East average of 8.1% and the Great Britain average of 6.6% (Jan-Dec 21 ONS Annual Population Survey)
- In Sunderland, 43.3% (74,600 people) of the resident population aged 16-64 has qualifications at level 3 and above, compared to the North East average of 54.5% and Great Britain average of 61.5% (Jan 21-Dec 21 ONS Annual Population Survey). Only 67.2% of the working population are qualified to NVQ Level 2 or above
- Survey results carried out by the Organisation for Economic Cooperation and
- Development (OECD, 2019) showed approx. 25.3% of the population in Sunderland have low essential skills

- Health and disability are major barriers to work. In Sunderland, 38.1% (18,100 people) of the resident population aged 16-64 are classed as long-term sick compared with the North East average of 30.0% and Great Britain average of 24.6% (Jan 21-Dec 21 ONS Annual Population Survey)
- Insecure and low wage employment is more prevalent than other parts of the region and country. In Sunderland average gross weekly full-time worker earnings in 2021 are £513.10 compared with the North East average of £538.70 and the Great Britain average of £612.80 (ONS Annual Survey of Hours and Earnings)
- Levels of deprivation remain high in Sunderland. The 2019 IMD indicates that over 41% (75 of 185) of Sunderland's Lower Super Output Areas are among the most disadvantaged fifth of all areas across England with over 40.6% of the Sunderland population living in these super output areas and 23% of LSOAs in the City (42 of 185) in the top 10% most deprived areas of England
- On a monthly average 579 people are fed from foodbanks, almost a 50% increase from 2018/19.

Within the working age population, and those unemployed and economically inactive, there are certain groups that perform even less well than the average in Sunderland, the region and nationally. Local research and engagement have highlighted several key challenges around personal and labour market outcomes, with the gap in employment and income outcomes greater in Sunderland and the North East than nationally. It has also identified significant challenges for groups including, but not limited to:

- People from workless households
- Women
- BME communities
- Offenders, ex-offenders and those on community sentences
- Ex-services personnel and veterans
- Economically inactive women
- Communities where worklessness is persistently high and inter-generational
- Migrants and refugees
- Lesbian, gay, bisexual, and transgender (LGBT)
- Cared for and care experienced children and young people
- Younger working age people (16-24) including those not in education, employment or training (NEET)
- Older workers
- People with work limiting health conditions
- People with disabilities
- People with caring responsibilities.

CHALLENGES FACED BY DIFFERENT GROUPS

Whilst the challenges identified above tend to be common among disadvantaged communities, some are more prevalent among different population groups and some client groups are more

likely to face other, specific barriers to finding employment, developing new skills or starting a business.

Some of the specific issues affecting the key population groups are summarised below.

YOUNG PEOPLE

Research suggests young people are more likely to face barriers associated with:

- Having the right skills and experience to start an enterprise or enter work
- Access to support networks
- Access to finance
- Negative attitudes to enterprise
- Limited ambitions in respect of self-employment
- Confidence, with some young people feeling they are too young to start a business
- Lack of opportunity, encouragement or chance to consider and discuss the prospect of starting a business.

BME COMMUNITIES

Census data suggests that self-employment rates are actually comparatively high among BME communities compared with the white population within Sunderland, and particularly within the CLLD area.

Consultations with BME communities to inform previous enterprise projects found that higher exposure to enterprising people in these communities was an important motivation for people to become self-employed, along with other factors such as a desire to escape the benefits system.

However, further review suggests BME communities do face specific barriers including:

- A shortage of skilled staff
- Growing competition
- High premises costs
- Lack of awareness of existing business support networks
- Poor communication to BME communities.

WOMEN

The self-employment rate for women has been increasing but still lags significantly behind the rate for men across the local authority area and specifically within the most deprived areas.

Specific issues affecting women in Sunderland's disadvantaged communities are:

- A lack of understanding of the benefit system and transition to self-employment
- Childcare responsibilities and costs

- Motivations to start a business tend to include a desire to prove themselves, achieving security for the family, and timing issues i.e., being in a position to start a business once children were old enough.

PEOPLE WITH A DISABILITY OR HEALTH CONDITION

Too often people face a negative experience of declining health which excludes them from work, often leading to long term worklessness, which in turn causes further deterioration in health. This is increasingly significant with the growth of common mental and physical health conditions post-Covid 19. This has led to increasing health-related disability and a consequent increase in worklessness. The number of working age people with health conditions who are outside the labour market has increased by over 10% over the last two years to 2.2 million.

Census data suggests that self-employment rates are comparatively high among people with a disability / limiting illness within Sunderland and in the most deprived areas. However, employment rates overall for this client group are much lower than for the whole population. For Sunderland, the disability employment rate (a person is defined as disabled if they have a health condition lasting more than 12 months that impacts negatively on their daily life) is 45.6% (127th highest out of 151 upper tier local authorities in England) and the gap between the employment rate of disabled and non-disabled people is 33.6 (122nd highest).

Local research has identified that people with disabilities face key barriers to employment and self-employment, including:

- A lack of understanding about benefits transition/what would be available once in business
- Difficulty in finding access to the right information
- The need for individual tailored support to help people into sustained employment (or self-employment), and that such support is currently lacking.

Self-employment can sometimes be a more appropriate option for some people, offering more flexibility and giving individuals more control over their work, but this typically requires more intensive support.

LONG-TERM UNEMPLOYED PEOPLE

Several challenges facing long-term unemployed people include:

- A lack of basic skills
- Concerns about the loss of benefits and income security
- A lack of confidence
- Poor access to financial infrastructure and bank accounts
- Not knowing who to talk to.

During the engagement sessions other issues raised related to the poorer links to growth sectors, entrepreneurship (pre-start support), enterprise support and discrimination. Mental health was also identified as a key challenge that requires greater coordinated action, understanding and resources at a local level.

WORKFORCE DEVELOPMENT AND SKILLS CHALLENGES FACING EMPLOYERS NOW AND, IN THE FUTURE

Despite the creation of new opportunities in the labour market, local people don't necessarily gain the advantage, especially where there is a skills mismatch. With manufacturing increasingly focussing on the application of leading-edge technology, measures also to enhance the skills of residents are essential, to avoid a situation where the emphasis on creating 'better jobs' can actually be a disbenefit to the local population.

Moreover, the persistent disparity between workforce- and residence-based average earnings, demonstrates that local people are often missing out on the best paid jobs, which are going to commuters, or else they are taking advantage of gaining a job with higher earnings to then move out of the city to places where they can purchase what are often perceived to be desirable properties in more sought-after locations. The residence-based figure for earnings in Sunderland is currently 94.6% of the workplace-based rate.

Skill shortages have long been an issue in the manufacturing sector across the country, and there have been changes following EU Exit in relation to filling vacancies through attracting workers from overseas. Sunderland has to date been less impacted by skills shortages than areas such as the West Midlands, where for example major companies have increasingly moved to poach workers from their own suppliers. Nevertheless, this has the potential to be a constraint on future growth, and one that needs to be monitored in parallel to the skill levels among the city's residents if the opportunities arising from the International Advanced Manufacturing Park (IAMP) and electrification are to be fully realised.

As manufacturing in Sunderland becomes increasingly based on the application of leading-edge technology, higher-level skills will be needed in numbers not previously seen. The production of electric vehicles and component parts such as motors, batteries and associated electronics will generate employment opportunities in the city, as will other aspects of the 'green economy', such as the attraction of offshore wind related engineering projects and ongoing operational activity to the Port of Sunderland. The issue is whether there will be the skills to facilitate these investments in the city. Industry-led skills development, such as the Housing Innovation and Construction Skills Academy (HICSA) for the housing sector, will have a key role to play.

Skills shortages within the city's manufacturing sector may encourage businesses to offshore some activity to countries where skills are more available. This may result in higher-value activity such as R&D and design being lost to the city. Another result is likely to be accelerated adoption of automation to replace lower-skilled roles. Automation is good for productivity, but not for employment generation.

To tackle these issues, partnership working is essential. This will require involvement from schools, the college and the university, as well as trade bodies such as North East Automotive Alliance (NEAA). Cohesive workforce planning is needed for the automotive sector, helping to forecast future skills demand and informing providers so that they can make relevant courses available. This is critical, not only to facilitate growth in the sector, but also to backfill those who are reaching retirement age (an ECITB report published in 2018 calculated that 19.6% of the UK's skilled engineering workforce would have retired by 2026, reflecting an ageing workforce).

There is ongoing and acute pressure in the health and social care sector to meet both immediate employer recruitment needs and the skills requirements of the sector. At a national level, Skills for Care's latest workforce tracking data shows that vacancy rates remain above pre-Covid-19 levels, and vacancy rates have increased from 6.1% in April 2021 to 10.3% in April 2022. Following the peak of the pandemic, and as the wider economy opened back up, vacancy rates have since been rising, and are now higher than they were before Covid-19.

Sunderland faces a particular challenge in this area because of its ageing population and relatively high levels of poor health and inequalities. In Sunderland, there are approximately 7,400 jobs in social care with just over 90% of the jobs in the independent care sector, with 23% of the overall workforce on zero-hour contracts. The turnover rate in the Sunderland Local Authority area is just over 19%, and current figures state 41% of the workforce have been in post less than 3 years. Skills for Care's State of the Adult Social Care Workforce report cites zero-hour contracts as a main contributor to the high turnover rate in social care. In terms of qualifications, 58% of the workforce hold a qualification at Level 2 or above which compares favourably to a national figure of 44%, however only 39% of the workforce hold the required competency-based Care Certificate compared to the national figure of 44%.

In total, 64% of the workforce are aged 25-54 years with the average age of a worker being 45 years. Only 7% of the workforce are under 25 years. In March 2021 the average hourly rate for all job roles in the independent sector was £9.68 just £0.96 higher than the living wage.

Workforce development challenges have been identified at both a local and regional level. Key observations include:

- Both a need to respond to short-term recruitment issues in some areas, as well as a requirement to plan more strategically for larger employment sectors and industries facing transformational changes including health and social care, construction (MMC) and retrofitting, automotive cluster and its supply chain (electrification), and other sectors impacted by digital and technological change
- In 2019, North East employers reported a range of technical and soft skills gaps, with the largest gap compared to nationally being specialist skills or knowledge. North East employers report a need to upskill their existing workforce in light of these skill shortages
- Over half of North East employment is in health, manufacturing, education, retail and hospitality
- The North East has a smaller proportion of professional roles limiting employer recruitment options and career progression opportunities
- In 2019, over three fifths of North East employers reported a need to upskill staff in the following 12 months. Among these, the most cited skills that required development were role-specific specialist skills; product-specific knowledge; adapting to new equipment or materials; solving complex problems; and IT skills
- Relative to before Covid 19 levels of job adverts in the NE have increased more quickly than in England (e.g., reports from businesses of low numbers of qualified applicants).

DIGITAL INCLUSION

One further, but key challenge relates to those residents, often furthest away from employment, supported through a range of local training and employment support providers delivering provision across the city. Much of the current focus for this group is essential basic maths and English qualifications as well as digital skills. Since the first lockdown all learning moved to on-line and the Council has worked with providers to ensure that learners have access to alternative methods of support to help them to achieve their learning and personal goals. This has been very successful for many learners however learner inclusion has been impacted significantly due to the lack of technology available to many people from areas of high deprivation. All providers have highlighted this as a prime barrier to reaching out to those most in need of support and while many providers have tried to access ICT equipment and connectivity from charitable organisations such as The Good Foundation, there is still a large gap to be plugged.

It is clear through working with residents and community groups that those who are digitally engaged have greater opportunity to reduce poverty through increased

opportunities for work, knowledge and financial benefit. It is therefore incredibly important that all Sunderland residents have the opportunity, skills and resilience to improve their lives in a self-sustaining manner.

Accessing the internet / using digital technology is something that most of us take for granted to supplement so many aspects of our lives, whether it be accessing our bank accounts or looking up information / access services and training - that is inevitably now only available online (particularly during the recent pandemic). As technology progresses, we will rapidly reach a point where it is going to be difficult to live an effective life without access to the internet – therefore those living in poverty will continue to have reduced life chances and suffer from health inequalities.

SHARED LOCAL AND REGIONAL CHALLENGES

The review of local challenges above has been supplemented by a wider range of data and research compiled at a regional level through the North East Intelligence Hub - <https://evidencehub.northeastlep.co.uk/ukspf>

Key regional challenges facing the North East labour market are set out below.

POPULATION

- The North East has an ageing population, with the number of people aged 65 and over projected to grow by 133,000 by 2043.
- Projected population increase in the North East is much lower than nationally and varies across local authorities. Sunderland's population is the only one projected to decrease, although only slightly by less than 1,000 to 2028 and by 2,000 to 2043.

SKILLS AND QUALIFICATIONS

- The North East has a lower qualifications profile than England excluding London.
- The number of further education and apprenticeships achievements has decreased in the last two years. There were 6,510 apprenticeship achievements in the North East LEP area in 2020/21. This is a lower total than in each of the two previous years, although the latest decrease was much smaller than in 2019/20 and included increases in the numbers of advanced and higher level apprenticeship achievements.
- Approximately 40% of graduates from the four regional universities were still living in the North East after five years, a slightly higher proportion than were originally from the North East. North East students are more likely to attend an within region university than students across the whole of the UK.
- About 82% of graduates from the University of Sunderland reside in the North East region, compared to just 9% from Durham, 29% from Newcastle and 52% from Northumbria.
- Progress addressing the lower qualifications profile than England has slowed. The latest North East employment rate for those educated to degree level (NVQ4+) was more than twice that of people with no qualifications.
- North East further education achievement totals have decreased during the past two years. However, more young people are moving into further education in the North East LEP area compared to nationally.

EMPLOYMENT AND INCOME

- The North East has a higher percentage of older workers than England.
- The North East was closing the employment and economic inactivity rate gaps with England excluding London, but these gaps have widened due to the impact of Covid-19.
- Real GDP growth has been slow in the North East LEP compared to nationally, especially since the 2008 recession. GDP per head is highest in Newcastle partially due to the inflow of commuters to the city.
- Productivity growth in the North East LEP area has yet to fully close the gap compared to England excluding London. Within the North East LEP productivity is highest in Sunderland due to the highly productive automotive cluster.
- The productivity gap has widened, even in relation to regions outside London. Innovation is the main driver of productivity in the 'real' economy (as opposed to London's financial services sector), and low levels of product innovation is a major issue for Sunderland and the North East economy that needs to be addressed.
- All areas across the LEP have employment rates below the national average, with small variation between authorities.
- Self-employment makes up a smaller proportion of North East employment. Female part-time employment has fallen sharply in the most recent year.
- The North East has a higher percentage of workers in non-permanent employment than England excluding London. It has increased in the latest year.

UNEMPLOYMENT AND INACTIVITY

- The economic inactivity rate gap between the North East and England excluding London was closing until the impact of Covid-19.
- Economic inactivity is higher in all areas of the LEP compared to nationally and is particularly high in Sunderland.

The challenges set out above have been informed by local and regional engagement, and a review of key strategic documents and evidence sources relating to people and skills.

LOCAL AND REGIONAL ENGAGEMENT WORKSHOPS

Local engagement with public, private and VCS organisations was kickstarted with a presentation to the Sunderland Voluntary Sector Alliance on 18/05/22, attended by 66 voluntary organisations, and public / private partners including community interest companies, charities and co-operative organisations alongside health and housing partners from across the city. The event set the scene for a series of 5 local workshops across each of the 5 Sunderland regeneration areas from 07/06/22 to 15/06/22 attended by over 100 local organisations and 130 participants.

During each workshop, attendees were asked to identify the top 3 challenges and priorities, and how UKSPF would be best used to address these and maximise local impacts. These challenges and priorities were collated based on the most regularly cited theme. The findings are summarised for each investment priority in the Communities and Place challenge section above.

In addition, a regional stakeholder event was co-organised in May 2022 by the North of Tyne Combined Authority, North East Combined Authority and Local Enterprise Partnership. The event was targeted at those organisations wishing to explore joint working on common priority areas.

The top 5 issues identified for People and Skills were: (1) Improve levels of deprivation, specifically reduce children living in low income households; (2) Improve residents' engagement with cultural, recreational and leisure activities; (3) Reduce household worklessness; (4) Reduce household fuel poverty; (5) Improve life satisfaction.

STRATEGIC ALIGNMENT

The issues identified here align with the following key documents at a local level:

- North East Strategic Economic Plan
- Sunderland City Plan
- Sunderland Health Inequalities Strategy
- Sunderland Smart City Ambition – exploring opportunities to target digital inclusion, improve access and skills
- Neighbourhood Investment Plans
- Sunderland's Community Led Local Development Strategy (2017-2022) and External Evaluation Impact Reports (2020 & 2022)

EVIDENCE REVIEW

The following sources were also used to identify our key challenges:

- North East Intelligence Hub – drawing on a range of national, regional and local data including Index of Multiple Deprivation, ONS and Census 2021
- Local data on employment, education and skills.
- Apprenticeships' evidence review
- Evaluation of ESF projects and their impacts, including Sunderland's Community Led Local Development Programme and Building Better Opportunities.
- Project summative assessments, evaluations and local case studies
- Core Cities and Key Cities research
- Centre for Cities Outlook 2022
- Best practice, recommendations and guides via the What Works Centre for Local Economic Growth.