

Tuesday 10 December 2019 at 10.00 am

Meeting to be held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

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## AGENDA

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Page No

1. **Welcome and Introductions**

2. **Apologies**

3. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

4. **Agree the minutes of the meeting held on 8 October 2019** 1 - 6

5. **Mayor of the North of Tyne Combined Authority, Mayor Driscoll - update** 7 - 8

In attendance: Jamie Driscoll, Mayor of the North of Tyne Combined Authority

6. **Cabinet Member(s) - Updates**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

(a) **Cabinet Member for Economic Growth** 9 - 14

In attendance: Councillor Bruce Pickard, Cabinet Member for Economic Growth

Attached: Cabinet Briefing

(b) **Cabinet Member for Business Competitiveness** **15 - 16**

In attendance: Councillor Nick Forbes, Cabinet Member for Business Competitiveness

Attached: Cabinet Briefing

7. **The Local Enterprise Partnership and the Strategic Economic Plan** **17 - 52**

In attendance: Richard Baker, Head of Strategy and Policy, North East Local Enterprise Partnership

Attached: North East Strategic Economic Plan and the Role of the North East Local Enterprise Partnership

8. **Returnship Programme** **53 - 64**

In attendance: Leigh Mills, Head of Inclusive Growth

Attached Papers: Returnship Programme

9. **Budget Monitoring Q2 Report** **65 - 76**

In attendance: Janice Gillespie, Interim Chief Financial and Section 73 Officer

Attached papers: Budget Monitoring Q2 report; Budget Monitoring Q2 Appendix 1 – NTCA Cabinet Report Q2 Finance October 2019

10. **Date and Time of Next Meeting**

18 December 2019, 3.00pm at the Mansion House, Fernwood Road, Newcastle

Reminder – there will be a budget workshop on Wednesday **15 January 2020, 9.30am** at the North of Tyne Offices, Quadrant West, 2 Quicksilver Way, Cobalt Business Park, Newcastle upon Tyne, NE27 0QQ

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## North of Tyne Combined Authority, Overview and Scrutiny Committee

8 October 2019

(10.00 - 11.15 am)

Meeting held: The Chamber, Quadrant, North Tyneside Council, 16 The Silverlink North, Cobalt Business Park, Newcastle upon Tyne NE27 0BY

### Minutes

#### Present:

Chair: Councillor Cllr Gregah Alan Roughead

Councillors L Wright, Cllr Susan Dungworth, P Earley, Cllr Sandra Graham, P Holland, A Lower, Cllr G Stewart and Cllr Matthew Thirlaway

#### 10 WELCOME AND INTRODUCTIONS

The chair welcomed everyone to the meeting and brief introductions were provided.

#### 11 APOLOGIES

Apologies received from Councillor Hall; Cllr Thirlaway attended as substitute.

#### 12 DECLARATIONS OF INTEREST

Cllr Early declared an interest in agenda item 7 (Q1 Budget Monitoring) in respect of his prior appointment as a NTCA Cabinet Member and attendance at Cabinet when the budget was agreed.

Cllr Graham declared an interest in agenda item 6 (Good Work Business Pledge) as an employee of Karbon Homes, in respect of information submitted by Karbon Homes to the combined authority during consultation.

13 **AGREEMENT OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 2 JULY 2019**

The minutes of the previous meeting held on 2 July 2019 were agreed as a correct record and signed by the Chair.

Committee agreed to revise the agenda to discuss items 7 and 8 next.

14 **Q1 BUDGET MONITORING**

Submitted: Report of the Interim Section 73 Officer (previously circulated and a copy attached to the Official Minutes).

J Gillespie introduced the report, which provided a summary of the budget position reported to Cabinet in July. In presentation it was noted that the budget is expected to be on target, with staff recruitment now almost complete. Allocation of the Investment Fund continues with a significant level of ERDF or private match funding achieved.

J Gillespie responded to questions raised by the committee and the following was noted:

Brexit funding was provided by government to increase capacity to develop appropriate plans and a response to future scenarios. Additional funding has also been provided to each local authority. Committee agreed it would be helpful to receive a separate report on the approach to Brexit.

In response to a query about the benefit to the North of Tyne area from NTCA funding provided to the LEP to support Brexit work, J Gillespie confirmed that both combined authorities contribute funding to support projects where there are local opportunities across both combined authority areas.

Committee agreed to receive information on the distribution and priorities of the Adult Education Budget as part of the budget proposals to be presented to the committee in December.

J Gillespie confirmed that approximately 30 staff are currently employed by the combined authority. This includes an office manager, two support assistants and a political advisor within the Mayor's Office. Although not required to, a Pay Policy has recently been published. Technical and policy development advisors have been employed to support the combined authority consider issues such as the approach to inward investment. It is anticipated that the full budget for advisors will be spent.

It was suggested that future budget monitoring reports differentiate between corporate advisors and mayoral advisors.

Committee agreed to receive a staffing structure, including the relationship between the Mayor's Office and other support staff.

In relation to the external audit of the annual accounts, J Gillespie confirmed that the appointed auditors had submitted their resignation late in the year due to a material

conflict of interest in respect of the advice they provide to NEXUS. The process to appoint new auditors for 2018/19, and potentially to 2023, will conclude shortly.

**RESOLVED** that:

- i) Overview and Scrutiny Committee note the report.
- ii) Committee receive a separate report on the NTCA approach to Brexit
- iii) Committee receive information on the distribution and priorities of the Adult Education Budget as part of the budget proposals to be presented to the committee in December.
- iv) Committee recommend that future budget monitoring reports differentiate between corporate advisors and mayoral advisers.
- v) Committee receive a staffing structure, including an outline of the relationship between the Mayor's office and other support staff.
- vi) Committee receive information on what projects may be funded by the North of Tyne contribution to the LEP to support work around Brexit and its impact.

## 15 **2020/2024 FINANCIAL PLANNING AND BUDGET PROCESS**

Submitted: Report of the Interim Section 73 Officer (previously circulated and a copy attached to the Official Minutes).

J Gillespie introduced the report, highlighting work underway on: the Deed of Cooperation, which will allow NTCA to become the accountable body for the LEP; and the development of a borrowing limit for the combined authority.

J Gillespie responded to questions raised by the committee and the following was noted:

In respect of the 5-yearly gateway-review process, J Gillespie indicated that the format is evolving, and further information can be provided once known.

In respect of the borrowing powers of NTCA, J Gillespie confirmed that existing legislation needs to be amended to provide the combined authority with the option to borrow, even if it is not required currently. The extent of borrowing powers will be agreed by MHCLG. Other combined authorities are in a different position as, for example, they may receive only capital funding or may have transport responsibilities as well and associated borrowing powers.

J Gillespie confirmed that meetings take place with other combined authorities including Section 73 Officers, Monitoring Officers, Mayors and Chief Executives to share best practice.

J Gillespie confirmed that the levies referred to in the report relate to the levies on the constituent authorities only.

Committee noted and agreed the budget setting timetable.

**RESOLVED** – That:

- i) Overview and Scrutiny Committee note the report
- ii) Committee to receive further information on the 5-yearly gateway-review process, once available.

iii) The budget setting timetable be agreed

## 16 CABINET MEMBER FOR EMPLOYABILITY AND INCLUSION

Cllr McCarty provided a verbal update on her portfolio, highlighting the following points:

- The combined authority has developed an Inclusive Policy Statement, placing the inclusive economy at the core of its work. This is unique element of its devolution deal.
- The vision is for a dynamic and inclusive economy, that brings together people in the region, improves life chances, creates vibrant communities and a high quality of life.
- Inclusion is about removing barriers that prevent individuals from taking up training or employment opportunities.
- The portfolio supports the 'hotbed of talent' priority and links in closely with Cllr Daley's work on learning and the Education Challenge.
- The ambition is to be an exemplar authority on the delivery of an inclusive economy; closing the gap on earnings, closing the unemployment gap and closing the aspiration and ambition gap. Although unemployment is reducing, there is a need to improve the quality of employment.
- All combined authority spend will aim to address the inclusive economy priority.
- The Working Homes project aims to work with known tenants in council and social housing to support them into work, in response to high levels of unemployment and inactivity. The project will be delivered in partnership with local authorities, housing associations and learning providers.
- The Employability and Skills Project will provide £3million of match funding for bids to the European Social Fund. The aim is to maximise current access to EU funding.
- The Returnships Project aims to support individuals who have been out of work for two years or more, back into work. It is an employer led initiative, including Sage, Accenture, Newcastle Building Society and local carer organisations that can offer genuine learning and work opportunities.
- In respect of the devolution of the Adult Education Budget, the Order which will bring £22.7m into the region, has been debated and agreed by the House of Lords. Devolution will support the core adult education providers to ensure their stability and will look at where resources are spent and good value with a focus on supporting the development of skills in areas required by the North of Tyne area. A number of events have been held with key providers to discuss and promote this work. The government must approve proposals in January 2020 for devolution to commence from August.
- An Inclusive Economy Board, a formal advisory board for Cabinet, will be established shortly.
- A strategy for investment through the Inclusive Economy Investment Fund will be developed, outlining how the authority will engage with partners to spend this resource, to create jobs.
- Further work needs to take place on work progression; understanding what this means.
- There is a need to ensure residents understand what inclusion and employability means for them; and to continue to embed the concept of inclusive growth across the combined authority.

- Evidence will be sought that combined authority resources and the impact of work carried out on inclusive growth, supports the inclusive economy priorities. Cllr McCarty offered to provide a summary of this when available.

The Chair thanked Cllr McCarty for the verbal update and committee agreed that a written summary on future portfolio updates would also be helpful.

Cllr McCarty responded to queries raised by the committee:

Members highlighted concerns about how developments in IT and professional accreditations, such as that of the social care sector which include work-based evidence, can create barriers to returning to work. Cllr McCarty agreed this was an opportunity for the combined authority to work with accreditors and to provide funding for training.

In response to a query about flexibility of the AEB for small providers, training less than 50 people, Cllr McCarty confirmed that the majority of the budget will be with key providers who will be held to account to ensure that the training delivered is in line with skills gaps. However, the budget will be as flexible as possible.

Reference was also made to training in rural areas where there are transport issues and where providers may need travel to learners instead.

Members suggested that transport issues can also occur when travelling across urban areas, creating a barrier to young people and those returning to work to access training.

Cllr McCarty outlined the procurement offer that will be launched during October and the skills document which has been shared with providers and can be shared with the committee if required.

A member highlighted concerns about the ability of smaller employers and the voluntary sector to give staff time off for voluntary work and other development opportunities. Cllr McCarty acknowledged the concern, suggesting that the combined authority may be able to provide support through the good jobs work and that the benefit to employers will include raising their status in the local community.

A member raised a query about the potential to support employers to maintain good standards of work for their employees. In response Cllr McCarty discussed the good working relationship with local infrastructure organisations and steps the combined authority had taken to raise awareness of its plans.

A member expressed a concern about the impact of Brexit on organisations ability to provide staff learning and development. In response Cllr McCarty acknowledged the potential impact and highlighted risk assessments published by Newcastle City Council.

**RESOLVED –**

- i) That the Overview and Scrutiny Committee note the verbal update.
- ii) That Portfolio Holders be invited to provide a written report for committee.

## 17 **GOOD WORK BUSINESS PLEDGE**

Submitted: Report of the Employability and Inclusion Portfolio Lead, providing an overview of the Good Work Business Pledge including progress and next steps (previously circulated and a copy attached to the Official Minutes).

Cllr McCarty and L Mills introduced the report and responded to questions raised by the committee:

L Mills confirmed that an event had been held in response to concerns about the balance of consultation responses. As a result, there is now a good spread of responses across different sectors and company sizes.

Cllr McCarty indicated that accreditation will be through independent review, rather than self-assessment and there may be options for bronze, silver and gold awards. Overall the award will need to be achievable for small businesses.

A member highlighted the potential for the pledge to cover areas such as mental health and if the combined authority could support SEND residents into work. Cllr McCarty acknowledged the need to be aware of wider holistic support that could be provided and the potential to consider employers with supported schemes.

A member highlighted the impact that onerous red tape can have on small businesses accessing accreditation schemes. In response Cllr McCarty discussed the opportunity for larger organisations to provide mentoring and the potential for organisations to work collaboratively.

In respect of proposals for incentives to take part, Cllr McCarty suggest that this may be available, but the aim is to for organisations to engage with the programme not just to seek accreditation.

A member discussed the impact of paying the real living wage on organisations in the care sector and the differences in wages and treatment of staff across the sector. In response Cllr McCarty acknowledged the challenge of paying a real living wage, noting the role of local authorities in the care sector and the issues that can arise from the lack of recognition of care qualifications and level of pay. These issues require government intervention and funding and campaigning for proper funding for care will continue.

L Mills agreed to provide a summary of consultation responses.

**RESOLVED** – that:

- i) Overview and Scrutiny Committee note the report.
- ii) A copy of the responses from the consultation be provided.

## 18 **DATE AND TIME OF NEXT MEETING**

10 December 2019 at 10:00am at Newcastle Civic Centre.

It was noted that Treasury Management training would be available for members after the meeting.

## Overview and Scrutiny Committee

### Mayor's Briefing

The Overview and Scrutiny Committee has invited the Mayor, Jamie Driscoll, to their meeting on **Tuesday 10 December 2019** to provide the committee with a briefing on his first six months.

The briefing will cover the following topics:

#### 1. Investment Fund

- 1.1. Considerable progress has been made in the delivery of the Combined Authority's programme, a total of £13.94m has been committed to deliver a variety of different projects and programmes, which support the NTCA's priorities. Contracted projects are forecasting the creation of 1122 jobs.

#### 2. Climate Change and the Citizen's Assembly

- 2.1. Tackling climate change is a priority for the Combined Authority – and the Mayor declared a climate change assembly on his first day in office.
- 2.2. At the October Cabinet meeting, the NTCA endorsed further development work to explore the setting up of a Citizens' Assembly to consider action on climate change at a Combined Authority level. The Citizens' Assembly would be a representative group of residents who are selected at random from the population to learn about, deliberate upon, and make trade-offs and arrive at workable recommendations.
- 2.3. Working closely with other stakeholder groups, this approach would:
  - Provide meaningful participation, enabling NTCA residents to shape policy and influence decision making.
  - Enable different ideas to be tested.
  - Provide realistic data about what people will and won't do, and different value judgements.
  - Get buy-in for the conclusions, providing further legitimacy to any subsequent proposals from Combined Authority to national Government.

#### 3. People's Bank

- 3.1. NTCA is seeking to explore the feasibility of the development of a regional bank. The goals are to support sustainable economic development by improving access to

financial services, to retain banking profits in the North East and to recycle the collective savings of the region into regional based business loans and mortgages.

3.2. The cabinet has agreed to undertake further work on the opportunities for new and existing financial institutions to meet the following aims:

- Support for Local Economies and SMEs
- Provision of Choice and Competition
- Promotion of Financial Inclusion
- Boosting Economic Resilience

3.3. With some support from NTCA, Dr Gemma Bone Dodd, an academic working on regional banking, has adapted a Community Savings Bank Association style business plan for the North East context. Pro-bono assistance was also provided by Peter Rogerson (previously Director of Strategy at Virgin Money). Peter and Gemma will be presenting their proposition to NTCA in December.

## Overview and Scrutiny Committee

### Cabinet Member Briefing

The Overview and Scrutiny Committee has invited each Cabinet Member to a committee meeting to provide the committee with an update on the work and plans of their portfolio area.

This briefing at the 10 December Overview and Scrutiny Committee meeting will be from **Councillor Pickard, Portfolio Holder for Economic Growth**.

#### 1. Economic Growth Portfolio

This portfolio is responsible for leading the management of the NTCA's Investment Programme ensuring that there is a viable pipeline of robust capital projects and programmes associated with economic assets, regeneration, connectivity, and skills that are effectively developed, coordinated and delivered. The portfolio also covers any financial incentives that may be offered to business scale up and attraction.

#### 2. Progress to date

2.1. Considerable progress has been made across the Investment Fund Programme, a total of £13.94m has been committed to deliver a variety of different projects and programmes, which support the NTCA vision statement.

2.2. Key achievements include:

- Contracted projects forecasting the creation of 1122 jobs
- Private sector leverage totalling £59.61m
- Payment of first project claims to a value of £360,000
- Successful ERDF bid £4.6m for the North of Tyne Growth Fund and £3.8m for the North of Tyne Rural Growth Fund
- First application submitted for the North of Tyne Inward Investment Fund
- STEM and Digital Programme delivery in schools has commenced

#### 3. Investment Plan

3.1. In April 2019 the North of Tyne Cabinet agreed an Investment Plan for the first £100m of investments over the next 5 years. Performance is monitored against the themes of business, people and place.

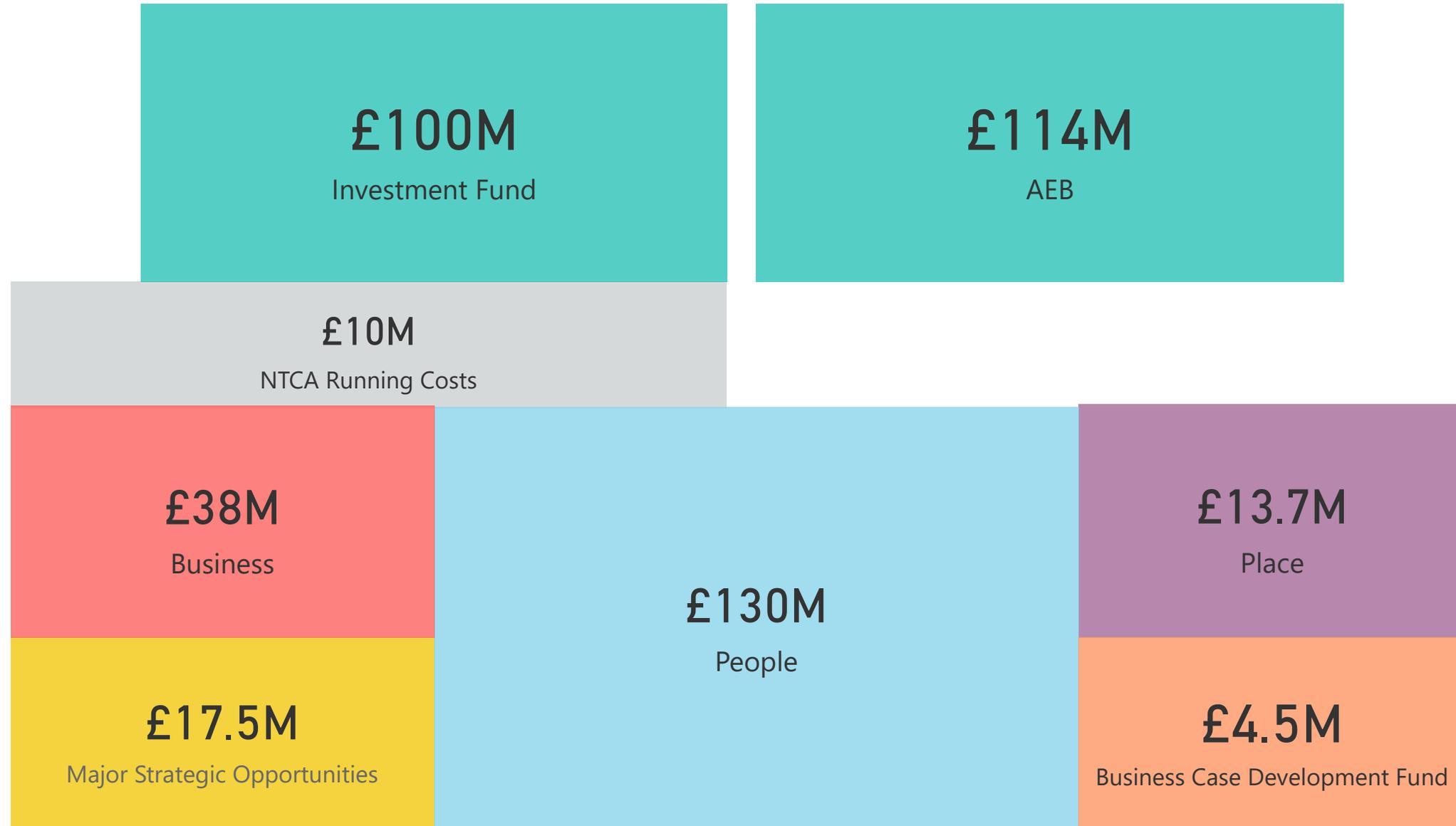
3.2. To date investments have been slightly higher on the people agenda however it is expected that this will rebalance in the coming months.

3.3. Upcoming milestones:

- Investment proposals to support key sectors coming forward for decision

- Launch of the North of Tyne Growth Fund and North of Tyne Rural Growth Fund 2<sup>nd</sup> January
- Pipeline of Inward Investment Proposals being developed
- Launch of Returnships programme January.

# 5 Year Allocation



**£100M**  
Investment Fund

**£3.46M**  
Business

**£7.23M**  
People

**£2.22M**  
Place

Workstreams	Programme	IF (£)	Total cost (£)
Inward investment	Inward investment fund	£3,000,000.00	£20,100,000.00
Business and Enterprise Support	Business: Business and enterprise support	£455,626.00	£1,461,040.00
Business and Enterprise Support	North of Tyne Growth Fund (ERDF)	£0.00	£15,140,938.00

Workstreams	Programme	IF (£)	Total cost (£)
Inclusive Economy Innovation Fund	Employability and skills programme (phase 1)	£3,000,000.00	£6,000,000.00
Inclusive Economy Innovation Fund	NU futures	£2,600,000.00	£11,473,870.00
Inclusive Economy Innovation Fund	The North of Tyne Returnship Programme	£666,431.00	£666,431.00
STEM and Digital Skills	STEM and Digital Skills Programme	£959,366.00	£1,152,671.00

Workstreams	Programme	IF (£)	Total cost (£)
Culture, creative and tourism	Tour of Britain Cycle Race 2019	£400,000.00	£400,000.00
Digital/transport Infrastructure	Place:Digital/transport Infrastructure	£550,000.00	£34,000,000.00
Rural fund	North of Tyne Rural Business Growth Project	£1,265,306.00	£7,896,982.00

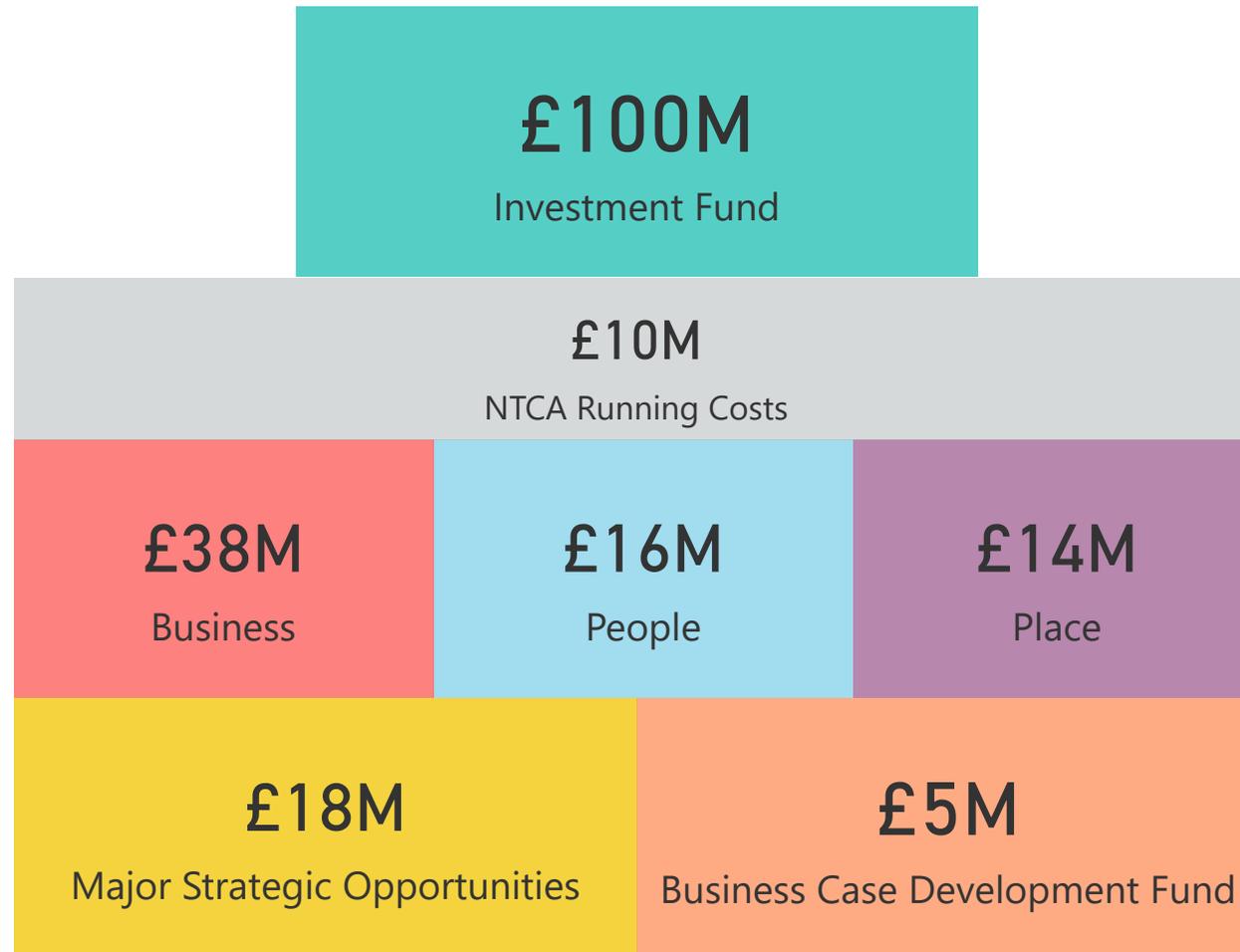
**£0**

Major Strategic Opportunities

**£1.04M**

Business Case Development Fund

# 5 Year Allocation (IF)



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The Overview and Scrutiny Committee has invited each Cabinet Member to a committee meeting to provide the committee with an update on the work and plans of their portfolio area. This briefing at the 10<sup>th</sup> December Overview and Scrutiny Committee meeting will be from **Councillor Nick Forbes, Portfolio Holder for Business Competitiveness**.

#### **BUSINESS COMPETITIVENESS PORTFOLIO**

*i. Overview*

This portfolio is focussed on activities which the Combined Authority can undertake to support business competitiveness. This includes developing sectoral expertise, supply chain opportunities, strengthening research and development capability; and communicating future growth opportunities. Cllr Forbes has identified the following current priorities, which he will discuss further at the Committee.

*ii. Key sectors*

The Combined Authority is undertaking work around its key sectors – to provide an evidence base and support the development of a strong pipeline of future growth opportunities. This work is focussing on Digital; Ageing; Culture & Creative; Offshore, Subsea and Energy; and Green New Deal. Further details, including initial project plans, will be taken to Cabinet in the next few months.

*iii. Digital economy*

Work around the digital economy is relatively advanced, with key messages including:

- people must be at the forefront of a digital revolution;
- the importance of developing and embracing technology and ideas, whilst also providing a world-class infrastructure and business ecosystem;
- there are strong economic opportunities where digital expertise overlaps with existing sectoral leadership;
- our story needs to be told more effectively.

*iv. Securing economic opportunities associated with the Green Industrial Revolution*

The NTCA has declared a climate emergency, as have the 3 constituent authorities. The transition to net zero carbon will also be accompanied by economic opportunities

– including jobs associated with housing retrofit, offshore wind and other low-carbon energy sources.

v. *Providing leadership around Brexit*

At the time of writing this report, there remains considerable uncertainty around the timing and nature of the UK's departure from the EU, and the form of its future trading arrangements. Priorities going forward for the NTCA include: providing confidence in the area and its economy; working with Government, business and partners to help reduce any short-term negative impacts; and to develop long-term plans.

## Overview and Scrutiny Committee

10 December 2019

<b>Subject:</b>	<b>North East Strategic Economic Plan and the role of the North East Local Enterprise Partnership</b>
<b>Report of:</b>	<b>Richard Baker, Head of Strategy and Policy, North East Local Enterprise Partnership</b>

### Report Summary

The purpose of this report is to provide a briefing to the Overview and Scrutiny Committee about the regional economic ambitions and priorities set out in the North East Strategic Economic Plan (SEP) and to update on the work of the role of the North East Local Enterprise Partnership (North East LEP) in co-ordinating and facilitating its delivery.

### Recommendations

The Overview and Scrutiny Committee is recommended to receive and discuss the presentation.

### 1. Introduction

The Strategic Economic Plan was agreed in 2014. It was established to provide a shared agenda for economic growth and development for the North East LEP area and provides the policy framework for a range of interventions and investment programmes. The North East LEP area geography includes the 7 Local Authority areas of Tyne and Wear, Northumberland and County Durham.

The North East Local Enterprise Partnership draws together the Leaders of the 7 Local Authorities, 9 Business leaders and representatives of the 4 Universities and 9 Colleges in the region to oversee the ongoing delivery and development of the SEP and to work together to ensure its implementation.

## 2. The Strategic Economic Plan

The SEP aims to drive the delivery of 100,000 More and Better jobs in the area during the period from 2014 to 2024, and to close gaps in economic performance against a framework of 4 other indicators compared with the rest of the UK, excluding London. These indicators include productivity, employability, private sector jobs and economic inactivity across the region.

The plan has been updated twice, in 2016 and again earlier this year, to ensure that it remains attuned to the prevailing economic and policy environment, most recently to provide the basis for the development of the forthcoming Local Industrial strategy.

There is a strong ongoing commitment to the SEP being evidence-led. The first version of the SEP followed on from the North East Independent Economic Review, led by Lord Andrew Adonis, which provided a strong economic evidence base for the SEP. The North East LEP delivers significant activities to maintain and develop the regions evidence base, including the publication of *Our Economy*, an annual 'state of the region' report. Our Economy 2019 is available at <https://www.northeastlep.co.uk/the-plan/our-targets/nelep-co-uk-oureconomy>

The latest version of the SEP is enclosed at appendix 1.

## 3. The North East Local Enterprise Partnership

The North East Local Enterprise Partnership (North East LEP) is a public, private and education sector partnership. It is one of thirty-eight LEPs in the country.

It is responsible for promoting and developing economic growth in the local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. A key responsibility is to produce and champion the SEP and a number of other strategic and programmes, to co-ordinate policy and delivery programmes and to oversee and influence the investment of a number of public funding programmes including the Local Growth Fund and European funding programmes. It also operates 21 Enterprise Zones across the region working with partners.

LEPs were formed following the Local Growth White Paper issued in October 2010 and they are overseen and championed by the Ministry of Housing, Communities & Local Government (MHCLG) and Department for Business, Energy & Industrial Strategy (BEIS).

#### **4. Appendices**

Appendix 1 - [North East Strategic Economic Plan](#)

#### **5. Contact Officers**

Richard Baker, Head of Strategy and Policy, North East Local Enterprise Partnership  
[richard.baker@nelep.co.uk](mailto:richard.baker@nelep.co.uk)

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## What is the North East Strategic Economic Plan?

It is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

## What does the Strategic Economic Plan want to achieve?

The Plan's ambition is to increase the number of jobs in the North East by 100,000 between 2014 and 2024, with 70% of these being better jobs, defined as managerial, professional and technical roles.



## How will the Plan achieve this?

The Strategic Economic Plan identifies four areas in our economy where our assets and capabilities mean we have a strong opportunity for growth. We want to build on these areas, which are:

- Digital
- Advanced manufacturing
- Health and life sciences
- Energy.

We have also identified and will work with four service sectors that support the wider economy and offer significant opportunities for more and better jobs in the North East. These are:

- Education
- Financial, professional and business services
- Transport and logistics
- Construction.

We will achieve the Plan's ambition through five programmes of delivery:

- Business growth
- Innovation
- Skills, employment, inclusion and progression
- Transport connectivity
- Investment and infrastructure.

## What is the North East Local Enterprise Partnership and its role in delivering the Strategic Economic Plan?

The North East Local Enterprise Partnership is a private, public and education sector partnership, supported by a small executive team that provides strong, collaborative leadership to support the growth and development of the North East economy.

The executive team works with partners to lead and facilitate the delivery of the Strategic Economic Plan.

It is the economic development body that covers the North East of England.

## Foreword

### Our Strategic Economic Plan for the North East

The North East region has an economy that is growing and that is diverse with passionate and skilled people, a high quality location for business and leisure, and a focus on science and innovation.

The North East Strategic Economic Plan sets out our ambition for the North East as a place of work and opportunity, an ambition shared by regional business leaders, local government and education, and supported by a wider community of partners, whose contribution to its development and delivery are central to its success.

### Creating more and better jobs

In 2014, when this plan was first agreed, we committed to fostering new opportunities for our residents and businesses by driving forward a modern, diverse and entrepreneurial economy, which is agile in the face of change, competitive, resilient and inclusive.

We have one clear and simple ambition – to deliver more and better jobs for the people who live and work here.

Between 2014 and 2024, we want to grow the number of jobs in the region by 100,000, with at least 70% of the new jobs being better jobs, defined as those in managerial, professional and technical roles.

We have made good progress against this ambition. As of September 2018, there were 64,600 more jobs than in 2014, 77% of these being better jobs.

We have also identified four targets focused on other long term objectives. To demonstrate our progress we aim to reduce or close the gap in our performance compared to England excluding London. By making this comparison in these four areas – employment rate, economic inactivity rate, productivity and private sector employment rate – we aim to deliver both positive change in our region and help rebalance the national economy.

We have made progress in each of these areas but the rate of improvement will need to increase if we are to

achieve our 2024 targets.

In 2017, we published a refreshed plan and increased our focus on distinctive areas of economic growth. We set out specific programmes of delivery for 2017 and 2018 designed to support our people, businesses and towns, cities and rural communities. This work continues to command support across the region and we have made good progress.

### Updating our plan at a time of change

It is a time of significant change for the global and national economy. New opportunities in technology and areas such as ageing and the management of climate risks provide potential for economic growth. Changes in public policy as we prepare to leave the European Union and embrace the UK Industrial Strategy provide a new context for our activity.

Government announced that the regions will have the opportunity to develop a Local Industrial Strategy to demonstrate their contribution to the national Industrial Strategy. The North East's response will be led by the North East Local Enterprise Partnership and will be delivered during 2019.

New policy and investment opportunities have been created by a devolution deal and the formation of a new Mayoral North of Tyne Combined Authority, that includes Newcastle, North Tyneside and Northumberland local authority areas.

The North East Combined Authority will continue to support economic growth across Durham, Gateshead, South Tyneside and Sunderland. The two Combined Authorities will work together through a Joint Transport Committee to oversee regional transport.

Wider partnerships across the Northern Powerhouse area, with the creation of Transport for the North and a new NP11 structure of northern LEPs, also create opportunities for our region. The Borderlands Deal will include Northumberland in a new cross-border structure with four other areas in northern England and Scotland to deliver rural growth and development.

In 2018 we agreed to update our Strategic Economic Plan to ensure we can deliver our ambitions during this period of change. To do this we have worked with our regional partners and government.

The refreshed plan includes:

- Updated analysis of our opportunities and challenges, including an update on the position of our targets
- Our plans for programme delivery from 2019 to 2021.

Four key themes have also impacted the Plan:

- Preparing for Brexit: with implications for businesses, residents and funding
- Preparing the ground for the development of a Local Industrial Strategy
- The impact of technology and in particular how the digital revolution changes the way we live

and do business

- A response to labour market needs by strengthening inclusivity and the pathway into careers.

As ever we remain future focused to take advantage of opportunities stemming from economic change and this new direction in public policy.

As Chair of the North East Local Enterprise Partnership, I would like to acknowledge the hard work and commitment of our partners in business, local government, education and our communities in taking forward the priorities set out in our Strategic Economic Plan. Our thanks go to each and every one for their efforts and partnership. We look forward to continuing working together in the future.

**Andrew Hodgson,**  
Chair, North East Local Enterprise Partnership



Andrew Hodgson

# Executive Summary

## Our region

### Our geography

We are the most northerly Local Enterprise Partnership region in England. Bordering Scotland, the North East is a mix of urban, suburban and rural areas spanning seven local authority areas. It has three major cities, diverse towns, four universities and key industrial, business and innovation sites as well as a large and varied rural and coastal area.

### Our people

With almost two million people, the North East is the ninth largest LEP area by population. 1.2 million are aged 16 to 65, with 32% of this age group having a degree or equivalent qualification. People that live in the North East are friendly, welcoming and proud of their region.

### Our connections

As well as selling products and services across the UK. North East region businesses are strongly integrated into global markets. The business base includes significant international investments from the EU, US, Japan and India and exports £7.6 billion to the EU and £5.3 billion to the rest of the world. 55,000 people move to the North East every year and half of UK students at North East universities are from outside the area. The North East has strong Northern partnerships and important transport links.

## Our offer

The North East is a great place to live, learn, work and do business.

We have a high quality living environment with historic towns and cities, a varied landscape and coastal environment and strong cultural and leisure offer. Landmarks include centres for contemporary art and music on Gateshead Quays, the UK's most popular open-air museum, Beamish, the Northumberland National Park and two UNESCO World Heritage Sites – Hadrian's Wall and Durham Cathedral. It is an increasingly prominent location for international sport and events.

House prices are competitive compared to other parts of the UK and the region's transport network, which includes the Tyne and Wear Metro and integrated bus network, makes average commuting times some of the lowest in the country.

Over 80,000 students study at our region's four universities every year.

There are 700 primary and middle schools, two University Technical Colleges, over 170 secondary schools and nine further education colleges in the North East.

Grade A office space in the North East is, on average, 76% cheaper than London and the 1.2 million workforce have strong and improving qualifications. Globally connected ports and supply chains add to the North East's business and inward investment strengths.



**Over 80,000 students study at our region's four universities every year.**



**1.2 million workforce have strong and improving qualifications**

## Our challenges

Our plan is strongly focused on addressing our key challenges that include fewer employment opportunities compared to other parts of the UK and improving the quality of jobs.

We also have underlying issues including lower productivity performance and higher levels of economic inactivity and exclusion, although we have seen improvement in both of these areas.

Emerging challenges for our region include Brexit, volatility in the global economic environment and trade. We also face wider UK challenges including the productivity puzzle, and rising costs and inflation.



**If North East performance matched England excluding London we would have**



**93,000 additional jobs**



**25,500 additional businesses**



**40,000 additional individuals qualified to degree-level or above**

## Our opportunities

### Our global opportunities

Significant changes in the global economy present opportunities for the North East because of our assets, skills and industries. These include:

- Our capacity to demonstrate how digitalisation can transform the economy and society through increased digital adoption and connectivity, new service and business models in sectors such as manufacturing and maximising the potential of our research and business assets.
- Improving health and responding to an ageing population through innovation in drugs, treatment and public health practice is another of our strengths. The North East already makes a significant contribution to this area through strong clinical research and our excellent health care system.

- We also have the capability to play a leading role shaping the future of manufacturing. Our strengths in automotive, pharmaceuticals and energy have earned the region a reputation for quality and productivity. Innovation opportunities in areas like batteries, fuels and energy technologies, process innovation and digital services are key to the future.

- The UK has committed to tackling climate change and promoting clean growth. We can continue to this agenda by our reduction of carbon emissions through energy generation, sub-sea technologies and investment in zero carbon transport.

### Policy and funding opportunities

We are at a time of change in the public policy environment. Publication of the Industrial Strategy in 2017 has increased a focus on improving productivity and living standards, whilst there is increasing recognition that decision making should be closer to residents and businesses, with devolution and the development of new structures at the Northern Powerhouse level both forming part of this shift. In addition, the UK's decision to leave the European Union will lead to a new funding environment for delivering growth. All of these changes will provide new opportunities for the North East and partners will need to work together to capitalise on them.

## Our plan

### Areas of strategic importance



**Digital**  
Specialising in software, cloud computing, communications, buildings information modelling, gaming. Emerging specialisms include data analytics, immersive technologies and cybersecurity



**Advanced manufacturing**  
Specialising in automotive and medicine manufacturing



**Health and life sciences**  
Excelling in clinical research, innovation in pharmaceuticals, responding to an ageing population



**Energy**  
Expertise in offshore Energy and subsea technologies, regional energy and demonstration and innovation

### Enabling services



**Education**



**Financial, professional and business services**



**Transport and logistics**



**Construction**



**Digital transformation**

### Programmes of delivery



**Business growth**



**Innovation**



**Skills, employment, inclusion and progression**



**Transport connectivity**



**Investment and infrastructure**

## Governance

The North East LEP Board ensures that a robust and transparent governance structure underpins the work of the North East. It is business-led and is a private, public and education partnership supported by four advisory boards. The effectiveness of the governance structure is reviewed annually.

The LEP also plays a key role in regional governance, working with the two combined authorities and seven local authorities. The governance structure changed in November 2018 following the formation of the North of Tyne Combined Authority. The North East Combined Authority remains focused on economic growth for their part of the region.

The Local Assurance Framework sets out how the LEP makes decisions and ensures value for money when investing in projects across the North East LEP area.

## Strategy, policy, evidence and analysis

The ongoing development of the Strategic Economic Plan is fundamental as it provides the framework and evidence base for a range of other strategic documents and investment programmes.

We work closely with government and partners in the region to develop new resources and structures that can support the delivery of the shared objectives in the Plan.

Over the next year we will develop a Local Industrial Strategy with government and regional partners to set out how we will drive productivity improvement and contribute to delivery of the UK Industrial Strategy.

The North East LEP continues to influence public policy through its work with partners through the North East Brexit Group and other important processes effecting economic policy, transport and infrastructure.

Each of these activities are supported by a strong programme of analysis, research and evidence development and co-ordination, which provide a detailed understanding of the North East economy.

Strong monitoring and evaluation across our programmes and projects reflects best practice and helps us learn from our work. Over time we will use it to build knowledge and understanding of what works in economic development in the region.



### Data

Our Economy, North East Data Hub and developing new data sources.



### Research

North East Economic Evidence Forum and Programme of research studies.



### Evaluation

Interim Strategic Economic Plan evaluation, Programme and project level monitoring and evaluation and Contributing to wider understanding of what works

## Delivery of the SEP 2014-2018 highlights

Significant capital funding from central government has supported the Strategic Economic Plan programmes.

This includes support for 21 Enterprise Zones with £125 million of LEP investment. To date, £65.9 million has been invested across 13 projects with two programmes leveraging £85m from public and private funding.

£30.2 million has been invested in 15 Business Growth projects, including Grade A industrial and office space across the LEP region and the best performing Growth Hub in England.

Skills and Economic Inclusion has seen £18.4 million of capital invested across eight projects, with a further £28.5 million from public and private funding. These include the successful delivery of the Gatsby Good Careers Guidance Benchmarks and the launch of North East Ambition, supporting 170 schools and colleges.

The regeneration of the Vaux site in Sunderland and the construction of the International Advance Manufacturing Park (IAMP) in Sunderland/South Tyneside are just two of the 23 projects to benefit from £214 million capital investment in investment and infrastructure.

Transport improvements have been made across the region with £80.9 million of capital invested in 17 projects, and one project leveraging £55.7 million from public funding. These include enhancements to the Tyne and Wear Metro system and major transport corridor improvements.

## Evaluation

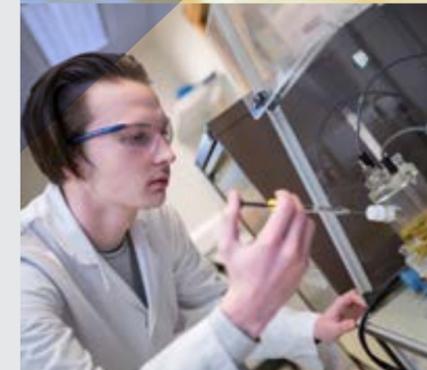
A commitment was made to commission an independent evaluation of the progress made and the role of the LEP is developing and delivering the Strategic Economic Plan.

Key findings from the first phase show significant progress has been made in creating more and better jobs for the economy. The refresh of the Plan in 2017 was inclusive and engaged partners across the region.

The LEP's programmes of delivery enjoyed success including the pilot of the Gatsby Good Careers Guidance Benchmarks, which is now recognised as best practice by government and regional partners.

The report's recommendations include working with partners to ensure data monitoring provides a fuller picture going forward.

An interim evaluation will be undertaken each year between 2018/19 and 2020/21.



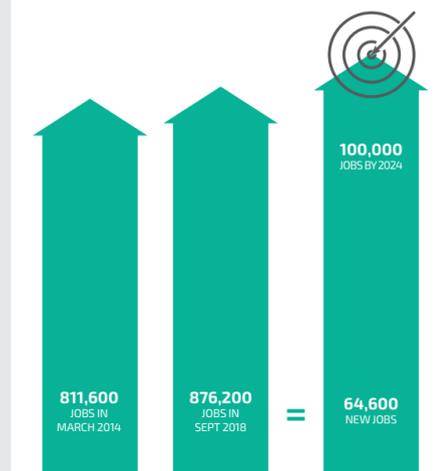
## Impact to date

Good progress has been made towards delivering the headline targets to deliver more and better jobs, with 64,600 new jobs created – 77% of which are better jobs.

The gap between our performance and national performance has reduced following an increase in the North East's employment and economic activity rate. Progress has also been made in relation to the number of private sector job opportunities per head in the North East.

Following a change in the dataset used to measure productivity, between 2014 and 2016 (the most recent data available), the gap has reduced by 13%.

Together with our partners, we are working to deliver **100,000 more and better jobs** for the North East by 2024.



**49,600 (77%)**

of these were better jobs, defined as managerial, professional and technical roles

*Section one*

***Our strategy***

## Our region



### Our geography

The North East is the most northerly Local Enterprise Partnership area in England, located between Scotland, Cumbria, Tees Valley, North Yorkshire and the North Sea. At just over 3,000 square miles, we are the sixth largest LEP in England by geographic size. We have a mix of urban, suburban and rural areas that span our seven local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. We have:

- Free cities:
  - Newcastle, that has science, education, culture, digital and service sectors and acts as our transport gateway
  - Durham, that is a leading university, science and tourism centre at the hub of a large rural county
  - Sunderland, home of Nissan's UK-leading automotive manufacturing, has education, culture and a well established digital software sector.
- Diverse towns that provide a mix of employment, housing, education, cultural and leisure offers, that are well connected to our cities, each other, the coast and countryside
- Four universities; Durham, Newcastle, Northumbria and Sunderland
- Key industrial sites, business parks and innovation hubs, including Cobalt Business Park, Infinity Park, NETPark, Newcastle Helix, Integra 61, Quorum Business Park, the International Advanced Manufacturing Park and 21 Enterprise Zone sites
- A large and varied rural and coastal area, ranging from market and seaside towns to the largest remote rural area in England, hosting a diverse rural economy.

The North East's communities and economic activities are heavily concentrated around the coast, the region's rivers and major transport routes. Reflecting this, the North East's five ports (Port of Berwick, Port of Blyth, Port of Sunderland, Port of Tyne and Seaham Harbour) are key assets, alongside Newcastle International Airport. Within the region, we have strong connectivity through public transport, roads, infrastructure and a UK leading digital infrastructure.



### Our people

The North East has a population of almost 2 million people, making us the ninth largest LEP area by population:

- With a working population (aged 16-64) of over 1.2 million, our businesses are able to draw on a large and diverse pool of workers to fill employment opportunities
- 32% of the North East's residents have a degree or equivalent and the qualification levels are improving.

Our people are friendly, welcoming and proud of their history. They have a strong and distinctive sense of place, a capacity for resilience, ingenuity, and a deep and shared passion for our landscapes, cities and culture.

### National and international connections

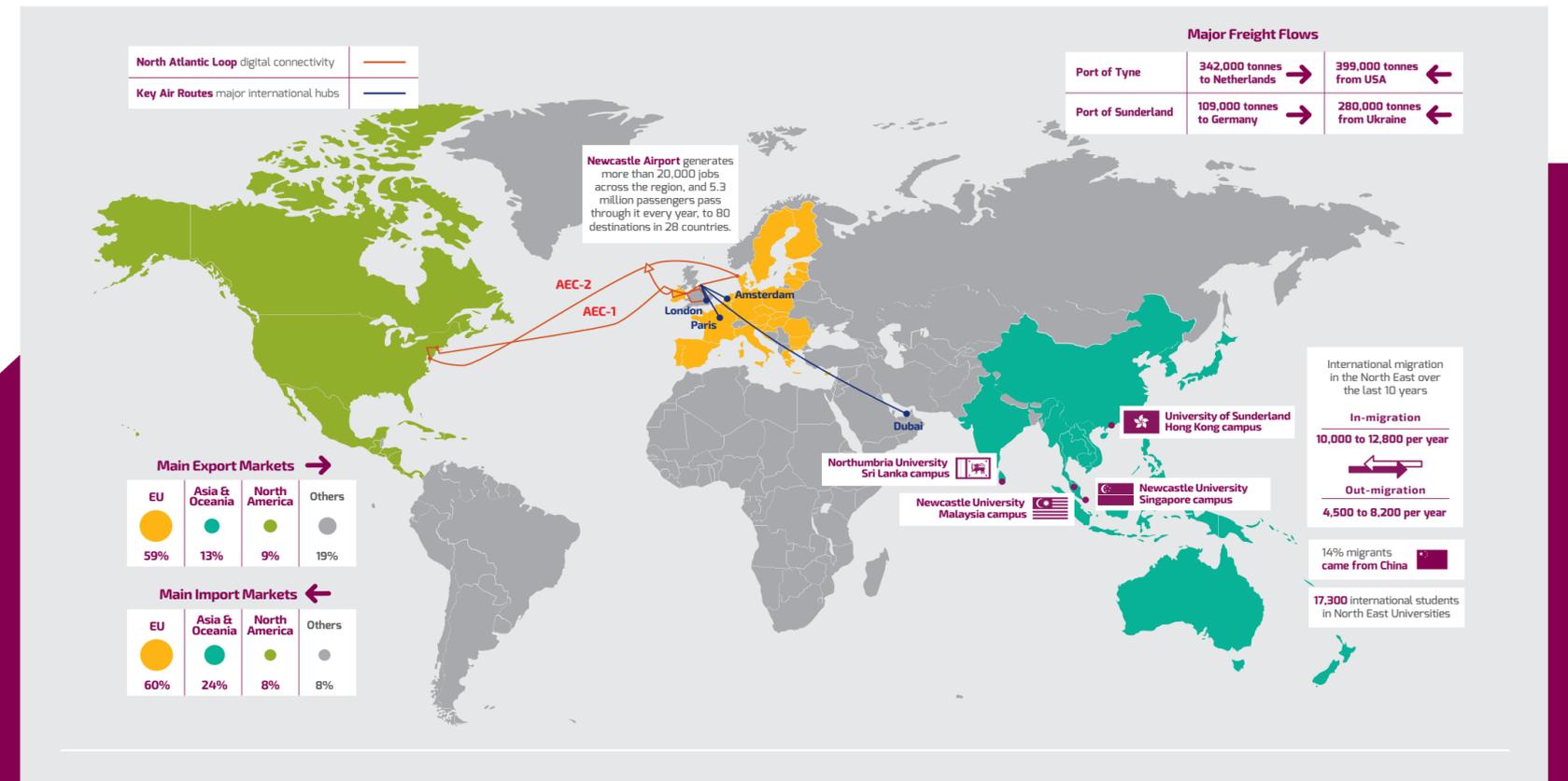
We have strong connections with the rest of the UK:

- Many of our businesses sell their products to customers elsewhere in the UK and/or have supply chains outside the North East
- Many of our industries operate across regions. For example, offshore energy businesses work closely with partners in Scotland and the Humber, Liverpool and Cumbria

- Of the 55,000 people who move to the North East region every year, about three-quarters come from elsewhere in the UK
- Half of the UK students who enrol at North East region universities come from elsewhere in the UK
- There were over 3.7 million overnight trips to our region by people from the UK during 2017 resulting in a spend of £680 million and 82 million day visits, spending £2.5 billion
- We are part of wider Northern partnerships, including the Northern Powerhouse, the NP11 that brings together the 11 northern LEPs to promote northern growth, and Transport for the North, a new statutory authority, promoting northern connectivity
- A proposal for the Borderlands Inclusive Growth Deal is being developed, that will build on the connections between Northumberland, Cumbria and the South of Scotland
- Important transport links include the East Coast Mainline, with regular services to London in less than three hours and Edinburgh in one and a half hours with onward connections across Scotland. Cross-country also provides rail services to the Midlands and South West. The A1 national highway connects the region to London and Edinburgh, with the A68 to the Scottish Borders and the A19 a major freight route that links us directly with Yorkshire. The A66 and A69 link us to Cumbria and onward to the West of England and Scotland.

We are also strongly integrated into global markets:

- 4,300 businesses in the North East region exported £12.9 billion of goods in 2017
- 6,000 businesses imported goods valued at £13.2 billion in 2017
- Businesses in the North East region exported £4.2 billion of services in 2016
- Foreign owned businesses play a key role in the North East economy, accounting for 5% of businesses in the North East region and 27% of Gross Value Added (GVA)
- Over a fifth of the 530,000 visits by overseas residents to the North East in 2017 were from Ireland and Germany with other key markets being Netherlands, Spain and the USA
- Whilst migration rates are low compared to the national picture, it has played a key role in maintaining population growth over the last decade
- A large proportion of the migrants who live here are students – with over 17,000 international students studying at our four universities
- Many of our global connections rely on the North East's seaports and airport – with both of these having gone through a period of recent growth. Newcastle Airport generates more than 20,000 jobs across the region, and 5.3 million passengers pass through it every year, to 80 destinations in 28 countries.



## Our offer



### A place to live

#### Housing

We have a wide range of housing for renters and buyers, with everything from affordable homes and apartments, through to large executive homes in city centres, riverside and coastal locations, market towns and rural villages.

House prices are competitive compared to other parts of the UK.

We plan to build 6,000 housing units per year until 2024 to meet demand, respond to demographic changes and to make sure we have attractive housing options for our current and potential residents.

#### Transport

The Tyne and Wear Metro is the largest light rail system in the UK outside of London, with 60 stations across the region and over 36 million passengers annually. This is complemented by an integrated bus network, connecting transport hubs around the region and extensive cycling networks.

North East railway stations are used by over 15 million people every year, connecting us directly and frequently to London, Birmingham, Leeds, Sheffield, Manchester and Scotland.

Within the region, the Durham Coast Line, Tyne Valley Line and stations in between Newcastle and Berwick provide important links between communities with local residents using these to travel to work, study and for leisure.

**Lowest average commuting distance of 7.7 miles and one of the lowest commuting times of 24.9 minutes, compared to the national average.**



#### Culture and leisure

Our region also has a diverse leisure offer, from the Durham and Tyne Dales to the quayside along the Tyne in Newcastle and Gateshead. The success of the Great Exhibition of the North, the Tall Ships Races 2018 and the Rugby World Cup demonstrated our ability to deliver large international events. We have a thriving sports culture with Premiership football, rugby (union and league), international athletics, cricket and are home to the Great North Run; the world's largest half marathon.

We've seen significant investment in our culture and tourism assets, including the opening of the Sill in Northumberland, the National Centre for the Written Word in South Tyneside, the development of a vibrant music, arts and cultural quarter in Sunderland and investment in culture also featuring at the heart of Gateshead's regeneration plans.

We are home to two iconic UNESCO World Heritage Sites - Hadrian's Wall and Durham Cathedral. Northumberland National Park features England's cleanest rivers, clearest air and darkest skies.

#### Our natural environment

The coastline takes in Northumberland including the Holy Island of Lindisfarne and the regenerated coast of North and South Tyneside and East Durham with 20 of our 25 coastal waters being classified as excellent in 2018.

We have internationally recognised assets including Beamish, the UK's most popular open air museum, Sunderland Airshow, Sage Gateshead, a landmark music venue, a number of theatres hosting national productions, Lumiere in Durham, and BALTIC Centre for Contemporary Art - Arts Council, England's largest investment in the visual arts outside of London. We are known for our preserved Roman heritage in Northumberland through to the coast in the North and South Tyneside.

**World's biggest half marathon with over 50,000 participants every year.**



**£362 million Metro investment for 42 new trains and a new maintenance depot secured for delivery in 2021.**

### A place to learn and progress

We have over 700 primary and middle schools, two University Technical Colleges and over 170 secondary schools, including pupil referral units and Special Educational Needs and Disability provision. Ofsted grades in primary schools in the North East continue to be positive and there was an improvement in GCSE results in 2018 which is testament to the hard work of students and staff in secondary schools and colleges.

Our nine further education colleges offer a diverse and hands on approach to training, delivering a career focussed curriculum in academic, technical and professional pathways.

They have strengthened their provision in digital, health and life sciences, advanced manufacturing and engineering, construction and financial and professional business services, whilst continuing to provide inclusive and balanced education and training.

There were 16,600 apprenticeships in the North East LEP area in 2017/18, over half were higher or advanced apprenticeships, contributing to the North East region having the highest rate of apprenticeships in England.

We have over 80,000 students every year studying at one of our four universities Durham, Newcastle, Northumbria and Sunderland. Both Durham and Newcastle universities are part of the prestigious Russell Group, research-intensive universities that contribute to the intellectual reputation of the UK across the globe. Northumbria and Sunderland universities are highly respected and active anchor institutions in the North East.

To recognise the employment and progression opportunities here, our universities, further education colleges and private training providers are all committed to ensuring students and graduates can identify routes into work. They are supported through experience and exposure to the world of work, and following completion of their studies, stay to have successful, progressive careers.

**We have over 80,000 students every year studying at one of our four universities Durham, Newcastle, Northumbria and Sunderland.**



### A place to do business and invest

We have a workforce of 1.2 million with a strong and improving qualifications profile. Our colleges, universities and training providers are responsive to employer needs. Employees are loyal, with some of the UK's lowest attrition rates.

We have nationally significant research and innovation centres and adaptable public infrastructure that provide our businesses with access to cutting edge knowledge and test beds that facilitate commercialisation and innovation.

We have five national catapult centres (Digital, Energy Systems, High Value Manufacturing, Offshore Renewable Energy and Satellite Applications) and a range of national innovation centres at Newcastle Helix and NETPark in Durham, providing over 200ha of public and private innovation focused development.

A number of regional projects and programmes demonstrate the potential for public infrastructure to provide a test bed for innovation delivery.

Investment into our new convention and exhibition facilities will enhance our business tourism offer.

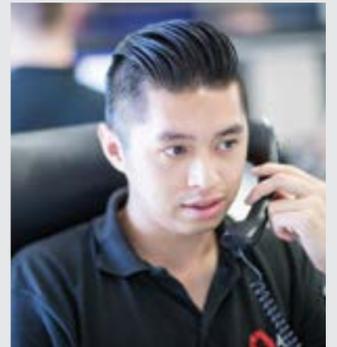
Building on UK leading levels of superfast broadband across the region we are moving rapidly towards ultrafast, next generation digital connectivity - increasing our competitive advantage and transforming opportunities in the global data economy.

Our globally connected ports and supply chains, diverse talent pool, development sites, Enterprise Zones, strength in global growth markets, enhanced access to growth capital, and cost competitiveness makes the region a great place for the private sector to invest and do business, alongside a strong track record of delivery of public sector investment in site readiness and transport.

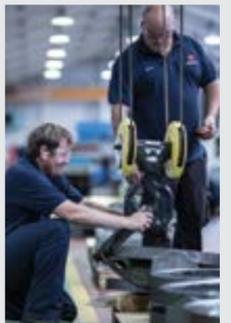


In 2018, Grade A office space in North East England was £28.20 per sq ft making it, on average,

**76% cheaper than London, 65% cheaper than Paris and 40% cheaper than Dublin.**



**Industrial costs are over one-quarter lower than in Glasgow, almost half the cost in Dubai, almost one-quarter the cost of London, and over 80% cheaper than Singapore.**



## Our challenges



Despite being a great place to live, learn, build a career, do business and invest, like all areas, we still face challenges. Overcoming these will be critical to ensuring the success of our region.

### Long-term challenges

The North East Independent Economic Review (2013), set out the key challenges faced by our region.

These have been reconfirmed by subsequent research and analysis over the past six years and will be the focus of continuing analysis.

The key issues we face are:

- **No few employment opportunities:** we have particular gaps in relation to:
  - Jobs in the private sector – this is reflected in us having fewer businesses per head than other areas
  - Jobs in high skilled occupations including managerial, professional and technical, for example in knowledge-intensive service sectors, such as financial, professional and business services.
- **Lower levels of productivity:** this has an impact on the potential competitiveness and resilience of our businesses and the potential for higher earnings for the people who work in them.

Collectively, these factors limit opportunities for our residents and businesses and reduce our attractiveness to investors.

Our plan has been developed to identify opportunities, programmes and interventions that will address these challenges.

We have also set targets that will measure our progress.

To create more opportunities for our people and our businesses and improve prosperity and inclusion, we need to tackle these deep rooted, underlying issues that are underpinned by things such as:

- The productivity performance of our key industries and sectors
- Skills of the workforce
- The availability of appropriate, affordable business premises
- Access to finance, transport and digital connectivity
- An effective innovation eco-system.

We monitor the performance of the North East economy regularly. Over the last five years, we have made good progress in regard to the number of jobs, employment and economic activity rates, improvements in the

qualifications profile, growth in the size and dynamism of the business base, success in securing inward investment and increasing availability of housing, industrial and commercial property.

However, we also continue to under perform, compared to England excluding London in many indicators, that still require action, including:

**Growing the jobs base and increasing the quality of available employment opportunities**

**Ensuring individuals have the skills and competencies to take up the available employment opportunities**

**Continuing to grow the business base and ensure the right support is available for businesses to grow**

**Investing and innovating to drive improvements in productivity**

### If North East performance matched England excluding London, we would have:

93,000 additional jobs



25,500 additional businesses



40,000 additional individuals qualified to degree-level or above

550 additional businesses that are innovation active



£685 million additional spend on R&D by businesses



### Emerging challenges

Since the Strategic Economic Plan was published in 2014, a number of new challenges have emerged. Most of these are UK-wide or global in nature but will directly impact on the performance of the North East economy.

#### Brexit

The UK is heading towards leaving the European Union on 29 March 2019. Forecasts suggest that the North East will be amongst the worst affected regions in the UK, especially if there is a no deal Brexit.

The impact will vary across the North East's sectors depending on the extent to which:

- The goods and services they produce are traded internationally
- Their supply chains are international
- The ownership of and/or investment into the sector is international
- The EU sets the regulatory environment for sector
- The EU provides funding for specific sectors (e.g. agriculture, fishing, culture, etc.)
- Migrant labour forms important component of the workforce.

There will also potentially be a range of wider impacts to exchange rates and to perceptions of the UK.

Reports from a number of sources, including the Confederation of British Industry (CBI) and the British Chamber of Commerce, state that the majority of businesses have delayed preparing for Brexit or making investment decisions due to uncertainty about the process, the deal and its implications.

The North East LEP established the North East Brexit Group to provide a collective regional voice as the UK moves through the Brexit process. It includes representation from businesses, education, trade unions, local authorities and voluntary organisations. The group has monitored and prepared evidence about economic issues, the views, experiences and responses of these regional organisations. It will seek to ensure that future policy in migration, funding and trade, support the North East economy.

In 2018, the North East LEP's Growth Hub worked with partners to launch a Brexit Toolkit that brings together business support, access to finance schemes and resources to help businesses with their preparations for Brexit.

[northeastgrowthhub.co.uk/toolkits/brexit-toolkit/](http://northeastgrowthhub.co.uk/toolkits/brexit-toolkit/)

#### Global trade

The global economy has been growing, with a strong growth in global trade being the main contributor over the last two years.

However, global politics are becoming more volatile, which is undermining confidence with trade patterns across international boundaries.

Increasing trade protectionism poses a particular threat to the global economy, which is a key risk for the North East because trade plays such a fundamental role in our economy. Almost 4,300 North East businesses export, with almost 6,000 having supply chains outside the UK.

It will be important, going forward, that North East businesses are supported to continue to grow and develop their international markets.

#### Productivity gap

UK productivity growth has been weak for over 10 years. Whilst the reasons for this are not fully known, it has led to this trend being referred to as the 'productivity puzzle'.

We do know however that factors have included:

- Low levels of business investment – limiting growth in capital (e.g. equipment, resources) available per worker
- Limited growth in how efficiently labour and capital are being used.

These trends are likely to be further weakened by Brexit and the other challenges discussed in this section.

The Industrial Strategy sets out the national response to addressing the challenge of low productivity growth. We are currently working with government to develop the North East Local Industrial Strategy that will set out the approach we will take to improve the North East's productivity. This is our opportunity to look at innovative, transformative solutions and position the North East's economic assets within a recognised UK context.

#### Costs and inflation

Businesses and residents have experienced a number of increases in prices over the last few years. There have been a number of reasons for this including:

- Global increases in commodity prices
- Triggered by Brexit, the depreciation of the pound and the policy responses to it, has impacted on the cost of imported components
- Low unemployment has begun to lead to growth in wages.

As a result, the Bank of England forecasts suggest inflation will remain above its target of 2% for the next two years. Whilst we cannot as a region influence price levels, it is important that we work to ensure the appropriate supports are in place to enable businesses to respond effectively to these challenges, for example, by helping them innovate to reduce costs and by taking measures to enable local property and labour markets to work effectively.

## Our opportunities



It is a time of significant change in the global economy, which presents both opportunities and challenges for the UK and the North East.

We are well positioned to capitalise by using our regional assets and strengths to create and sustain employment, improve productivity and competitiveness and focus on solutions to wider regional challenges. At a point of significant national policy change, and changes in our international relationships, regional governance and UK policy arrangements, we need to develop new mechanisms for delivering the priorities and programmes set out in this Strategic Economic Plan.

## Our global opportunities

### Digital transformation

The capacity for digitalisation to transform our economy and society is increasingly recognised. It is globalising communications, relationships and economic activity. There are opportunities for growth and competitiveness through digital connectivity, new service and business models across the economy and a range of digital sectors. However it brings with it risks of data security and social and economic exclusion. The UK aims to play a leading role in global digital transformation. The UK Digital Strategy in 2018 sets out a number of themes that offer opportunities for the North East. These include the use of smart data, the digitalisation of our region's transport, energy and wider utilities infrastructure and sectoral change in areas like health, manufacturing and construction. The North East has a strong digital eco-system and partners are working together across business, education and the public sector to take advantage of areas of specialisation, providing national leadership and demonstrating areas of digital delivery. Each of these offers a way to further grow the North East's digital sectors and secure investment.



### Improving health and responding to population ageing

Across the world, innovation in approaches to drugs, treatment and public health practice are changing the structure of health and care systems and improving lives for many people, opening up new potential for the North East. The response to demographic change is an increasingly dominant economic theme. The global population is projected to make a fundamental age shift to an older population by 2050, where it is expected there will be 2.1 billion people over the age of 60 globally, an increase of 218% compared with 2017. This necessitates a rethink of systems across economies – including employment, health care, finance and the structure of communities. The North East makes a significant contribution to the development and delivery of drugs and treatments and hosts excellent manufacturing, research and health care organisations with the opportunity for ongoing growth. Through its science strengths, it has the potential to lead national adaptation to our ageing population and support new economic opportunities.



### The future of manufacturing

While the UK as a whole has seen industrial restructuring away from manufacturing in favour of business and consumer services, the North East has retained a more balanced position. Manufacturing accounts for 15% of our GVA and 11% of employment. We have key engineering and manufacturing sectors in automotive, pharmaceuticals and energy sectors as well as a wider manufacturing footprint. Our capabilities in this area have earned a reputation for quality and productivity and are unique among UK regions in maintaining a positive balance of trade in goods. Science and innovation strengths in areas like batteries and fuels, processes and materials are accompanied by a growing reputation in automation and digitalisation of manufacturing systems. As international markets and products change, and the UK Industrial Strategy focuses on its long-term productivity challenges and opportunities in new global markets, the North East has the chance to build its productivity, grow its market presence and supply chains and continue to deliver sustainable, higher value manufacturing processes and practice.



### Tackling climate change and promoting clean growth

The Katowice Climate Conference in December 2018 was the latest stage in an increasingly urgent global discussion about how the world will work together to shift towards a zero-carbon economy. The UK has adopted stretching targets to reduce emissions, providing a strong focus for sustained investment with an estimated \$13.5 trillion expected between 2015 and 2030. Key priorities that offer significant opportunities for the North East include reduction of carbon emissions through shifts in energy generation technologies and investment in zero carbon transport. New markets are available thanks to a wider environmental agenda encompassing water management, the sustainability of natural assets and the use of technologies to replace plastics and change construction.



## Policy and funding opportunities

We are at a time of change in the public policy environment. Publication of the Industrial Strategy in 2017 has increased a focus on improving productivity and living standards, whilst there is increasing recognition that decision making should be closer to residents and businesses, with devolution and the development of new structures at the Northern Powerhouse level both forming part of this shift. In addition, the UK's decision to leave the European Union will lead to a new funding environment for delivering growth. All of these changes will provide new opportunities for the North East and partners will need to work together to capitalise on them.

### Industrial Strategy

Government published the Industrial Strategy: Building a Britain fit for the future in 2017. The aim of the Industrial Strategy is to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. The strategy is structured around five foundations of productivity:

- Ideas – the world's most innovative economy
- People – good jobs and greater earning power for all
- Infrastructure – a major upgrade to the UK's infrastructure
- Business environment – the best place to start and grow a business
- Place – prosperous communities across the UK.

It provides the overarching policy framework for Sector Deals between government and key industries within the UK economy. To date, a number of Sector Deals have been developed and published, setting out priorities for growth and productivity in these sectors, with other Sector Deals forthcoming. A number of these are focussed on key North East sectors including:

- Automotive
- Life sciences
- Offshore renewables.

Another feature of the Industrial Strategy is that it identifies four Grand Challenges for government and the wider economy. These are major global challenges that the UK needs to respond to – but that also provide significant opportunities for businesses. The Grand Challenges are:

- Artificial Intelligence and data economy – we will put the UK at the forefront of the artificial intelligence and data revolution
- Clean growth – we will maximise the advantages for UK industry from the global shift to clean growth
- Future of mobility – we will become a world leader in the way people, goods and services move
- Ageing society – we will harness the power of innovation to help meet the needs of an ageing society.

Underpinning the Industrial Strategy are a number of strands of investment, including the National Productivity Investment Fund. This fund has identified a number of funding pots within it, including the Industrial Strategy Challenge Fund and Strength in Places Fund.

### The North East Local Industrial Strategy

Reflecting the place agenda, the Industrial Strategy sets out plans for all areas to develop a Local Industrial Strategy that sets out how growth and improved productivity will be delivered.

The North East Local Industrial Strategy will be led by the North East Local Enterprise Partnership, together with partners and will be developed during 2019.

### Devolution

The first devolution deal in the North East was announced in 2018 for the North of Tyne area, that has seen the introduction of a Mayoral Combined Authority, new powers in a number of policy areas and a £600 million investment fund available over the next 30 years. This will create opportunities across Newcastle, North Tyneside and Northumberland that will benefit the wider region.

The North East Combined Authority will continue to support economic growth in the other four local authority areas and the two Combined Authorities will work together through a Joint Transport Committee to oversee regional transport.

The region is committed to progressive devolution of powers and resources to support the economy and will continue to seek to extend devolution to the North East.

### Northern Powerhouse

North East partners play an important role, working with others through the Northern Powerhouse. Research shows the North East has a stronger potential for growth than others in the North between 2019 and 2050.

2018 saw the introduction of a new structure that brings together the 11 northern LEPs and government, through the NP11, to contribute to stronger leadership and co-ordination across the North of England, focused on Northern economic growth.

The NP11 will work with others, including Transport for the North, business and political leaders, to drive stronger Northern growth in areas such as energy and manufacturing, and to strengthen our economic infrastructure.

Transport for the North and Rail North focus on increasing connectivity and reducing journey times across the North.

### UK Shared Prosperity Fund

The UK Shared Prosperity Fund is government's proposed funding mechanism that will replace current regional funding from Europe and UK sources after Brexit. At the time of this Strategic Economic Plan's publication, the scale, scope, timing and design of the UK Shared Prosperity Fund has not yet been finalised.

The North East Brexit Group has developed evidence to demonstrate the impact and importance of previous regional investment from Europe in preparation for this new resource and will work with government and regional partners to influence the design and delivery of this fund, to ensure it is targeted at our regional priorities, set out in this plan.

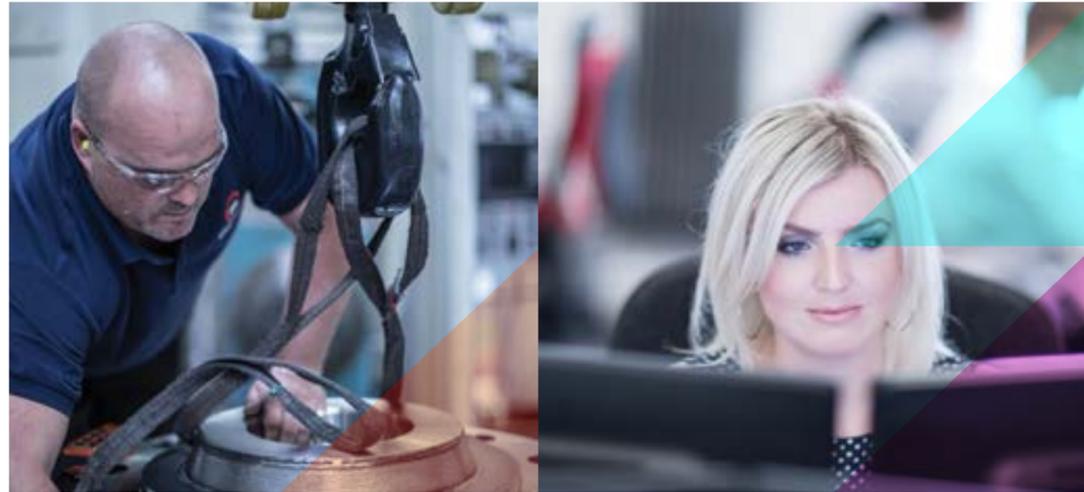
### Partnerships

Continuing to work with partners in other areas is fundamental to the successful delivery of our plan. We must look outside, as well as within, the region to progress.

Our key partnerships include:

- The North East Combined Authority
- The North of Tyne Combined Authority
- The Northern Powerhouse
- The Borderlands Partnership
- The strength of the working relationships with our business representative organisations and education sector.

# Our plan



**This is the North East's Strategic Economic Plan, developed, owned and delivered by the North East for the North East.**

The North East Strategic Economic Plan is our plan to grow and develop the region's economy. It is an evidence-based response to our long-term economic challenges and opportunities that were identified by the North East Independent Economic Review in 2013.

The Strategic Economic Plan was initially published in 2014, for a ten year period and demonstrated how we would drive forward a modern, diverse and entrepreneurial economy that was agile in the face of change and will deliver economic benefit to residents and businesses across every part of the region.

The Plan has been refreshed and updated as our economy and the environment in which we operate has changed and our economic base has developed.

### The shared economic plan

Partners from across the region have worked together to develop the Plan and there is collective agreement that our focus should be to deliver more and better jobs and have a more entrepreneurial economy. The benefits of growth are spread to our regions people and community. It is the region's plan and collective agreement to its ambition was fundamental from the outset.

There is also a shared commitment that the improvements that bring about these more and better jobs should deliver a more productive, competitive, resilient and inclusive economy.

### Key targets

To measure progress against this ambition, we have set six targets. Reflecting our ambition to deliver more and better jobs, the headline targets are:

**To increase the number of jobs in the North East economy by 100,000 between 2014 and 2024**

**For at least 70% of the new jobs, to be better jobs. A better job is defined as being in managerial, professional and technical roles**

We have also set four targets where we aim to improve our performance relative to England excluding London.

Delivery against these will mean we have a stronger North East economy, whilst also contributing to rebalancing the national economy.

The four targets are to:

**Reduce the gap in private sector employment density by 50% by 2024**

**Close the gap in the employment rate for people aged 16-64 by 50% by 2024**

**Reduce the gap in economic activity for people aged 16 – 64 by 100% by 2024**

**Reduce the gap in productivity by 50% by 2024**

### Delivering our plan

In addition to the Independent Economic Review, international evidence and examples of best practice tell us that economies should always be built on regional strengths and capabilities, whilst acknowledging and addressing challenges.

We have reflected this in our plan by identifying:

Four areas of strategic importance, where evidence tells us our assets and capabilities provide a strong opportunity for growth:

#### Digital

#### Advanced manufacturing

#### Health and life sciences

#### Energy

Four service sectors that support the wider economy and offer significant opportunity for more and better jobs in the North East:

#### Education

#### Financial, professional and business services

#### Transport and logistics

#### Construction

Five programmes of delivery that set out initiatives and projects that will deliver the ambitions of this Plan. They are:

#### Business growth

#### Innovation

#### Skills, employment, inclusion and progression

#### Transport connectivity

#### Investment and infrastructure

Digital technologies will impact on all aspects of the North East economy and society.

To reflect this, digital transformation will be considered within all aspects of our plan.

A coordinated, integrated, partnership approach to all of our delivery that reflect the opportunities and challenges identified is essential to the success of this plan and our contribution to rebalancing the national economy.

## The North East Strategic Economic Plan

### The Plan aims to create more and better jobs

Our aim is to have 100,000 more jobs in the North East economy by 2024 than there were in 2014 and for 70% of these to be better jobs. We define better jobs as managerial, professional and technical roles.

**Reduce the gap in private sector employment density by 50% by 2024**

**Close the gap in the employment rate for people aged 16-64 by 100% by 2024**

**Reduce the gap in economic activity for people aged 16-64 by 50% by 2024**

**Reduce the gap in productivity by 50% by 2024**

### Four areas of strategic importance



#### Digital

Specialising in software, cloud computing, communications, buildings information modelling, gaming. Emerging specialisms include data analytics, immersive technologies and cybersecurity



#### Advanced Manufacturing

Specialising in automotive and medicine manufacturing



#### Health and life sciences

Excelling in clinical research, innovation in pharmaceuticals, responding to an aging population



#### Energy

Expertise in offshore Energy and subsea technologies, regional energy and demonstration and innovation

### Four service sectors to support growth and better jobs



#### Education



#### Financial, professional and business services



#### Transport and logistics



#### Construction



#### Digital transformation

### Five delivery programmes



#### Business growth



#### Innovation



#### Skills, employment, inclusion and progression



#### Transport connectivity



#### Investment and infrastructure

A place that works

## Four areas of strategic importance

We have identified four areas where evidence tells us the North East has a distinct opportunity to improve its economic competitiveness. For each of these areas we will appoint a programme lead who will work with partners to:



Define, prioritise and communicate strategic opportunities



Shape and coordinate delivery plans



Identify challenges and support needs



Connect activity to our five delivery programmes



Ensure a strong link to the Local Industrial Strategy



## Digital

Specialising in software, cloud computing, communications, buildings information modelling, gaming. Emerging specialisms include data analytics, immersive technologies and cybersecurity

'Information and communications' was the research subject that secured the second highest amount of research funding between 2007 and 2017 in the North East region.

134 projects  
£40.5 million  
3.1% of UK funding



**Our vibrant digital community is one of the most productive and fastest developing in the UK, across industry and public services.**

Digital specialisms include software development, cloud computing, shared services, systems design and communications, buildings information modelling, games design and delivery. Emerging specialisms include data analytics, virtual reality, smart data, and cybersecurity.

A combination of start-up, high growth and established businesses sit alongside a strong regional R&D base and a network of innovation hubs and incubators.

Our schools, colleges and universities are leading the development and uptake of digital skills.

We have UK-leading levels of superfast broadband across the region, currently being extended to reach the most isolated communities.

**22,000**  
people employed in digital industries in the North East



**The North East is home to 11 of the 100 fastest growing technology companies in the North of England and Scotland, in 2018.**



**In 2017 the GVA of digital industries in the North East was £1.7 billion**



## Our assets

The National Innovation Centre for Data opens its doors in 2019 at Newcastle Helix, enabling the region to play a pivotal role in responding to government's Grand Challenge of growing the artificial intelligence and data-driven economy.

PROTO: The Emerging Technology Centre, located in Baltic Quarter Gateshead, is Europe's first dedicated centre for emerging technology. Specialising in XR, 3D character capture and motion capture, it is home to some of the region's most trailblazing businesses and offers contemporary office and co-working space.

North East universities with leading research capability and new incubator facilities are supporting innovation led growth in key parts of the digital sector including Intel Parallel Centre and NVIDIA global centres in Durham.

Both the Digital Catapult, led by Sunderland Software City, and the Satellite Applications Catapult, hosted by Business Durham, have expert centres based in the region.

Our established digital community includes the headquarters of FTSE 100 listed software leader, Sage, shared service centres for Hewlett Packard Enterprise, Accenture, BT, IBM and innovation centres for Ubisoft, ENGIE and Red Hat, alongside over 2000 SMEs.

The region provides a strong business support ecosystem and hosts a volume of vibrant and established digital networks, organisations and events.

Government service centres based in the region employ a significant number of people in digital and technical roles. Employers include the Department for Work and Pensions, HMRC and NHS Prescriptions Pricing Authority.

Stellium Data Centres, located on Cobalt Business Park in North Tyneside, is the largest purpose built datacentre campus in the UK.

We are home to a number of digital innovators based in the North East including:

- Partnerize, which provides products and services in over 170 countries
- SITS Group, cloud services provider to the Premier League
- Leighton Group, leading digital agency that operates SalesCycle and WorkCast
- Scott Logic, UK-leading bespoke software development company
- Viewpoint, global leader in collaboration and Building Information Modelling compliance software
- Palringo, gaming community builders with 27 million users across 350,000 user groups
- Fintech innovators based in the region include Atom Bank, World Pay and True Potential.

## Our opportunities

We want to accelerate digital transformation across the regional economy, enhancing productivity and the quality of public and private services and creating new opportunities for our businesses across all sectors.

There are digital opportunities specifically within the transport and logistics industries, including ports, airports, maritime and rail, which will transform their use of digital technologies through innovation applications including Artificial Intelligence, Internet of Things, Big Data, Space and Satellite.

By building on our track record of innovative partnerships we must maximise the opportunities available to us to further develop our digital infrastructure, moving towards ultrafast, next generation connectivity and 5G.

Work is being undertaken to strengthen the fibre connectivity of the North East to Northern Europe. In 2018 Aqua Comms announced its intention to install the North Atlantic Optical Fibre Loop - a new cable route to Denmark through the UK that will link Stellium's data centre to Esbjerg. This will give the region faster and more reliable digital connectivity and interconnect national and international networks, making the North East the optimum place to locate data rich businesses. This is a huge asset for our region that we will use to attract data rich business to our region.



**The North East is home to an established and growing cluster of leading businesses, ranging from global players to early-stage and high-growth tech companies. This local technical expertise has been integral to the success of Digital Catapult NETV and our ability to deliver impact nationally. Key players in the North East are working to drive economic growth through advanced digital innovation and we will continue to partner in these efforts.**

**Jeremy Silver**  
Chief Executive of Digital Catapult



Jeremy Silver



## Advanced manufacturing

Specialising in automotive and medicine manufacturing

Across the North East, advanced manufacturing is globally focused with strong clusters in automotive, and pharmaceuticals. We manufacture automotive products including passenger cars, trains and heavy off-road vehicles and a range of parts and components. Our medicines cluster is established over many years with a range of business models and international investments.

Significant growth potential lies in international trade and investment and in local supply chains and collectively our manufacturing industries represent a significant opportunity to deliver higher productivity by innovating in high level engineering, from design to manufacturing and from the application of number of knowledge and innovation assets. Managing risks as we leave the European Union requires UK policy to enable just-in-time production and frictionless trade.

Manufacturing accounts for 15.3% of the North East LEP area's GVA and 11.3% of employment.

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In 2017, the North East region exported £12.9 billion of goods

Including £7.4 billion of machinery and transport and £2.8 billion of chemicals (including pharmaceuticals)



Automotive manufacture employs over 30,000 people, higher than any other UK region.

Almost 500,000 vehicles and over 300,000 engines are produced in the North East each year.

The region accounts for a third of cars in the UK and over a fifth of all electric vehicles produced in Europe.



Pharmaceuticals contributed £868 million to the regional economy in 2017.



There are 73 companies in biopharma, employing 4,100 people with a turnover of £601 million

86% of North East pharmaceutical production is exported, with 64% of finished products going to the United States.



## Our assets

### Automotive advanced manufacturing

We have strategic sites that include the nationally significant International Advanced Manufacturing Park, (IAMP), which straddles the Sunderland and South Tyneside border. Our Enterprise Zone sites sit along the A19 corridor and in South East Northumberland and provide opportunities to strengthen our key sectors and clusters. Team Valley in Gateshead offers a strong cluster of advanced manufacturing businesses in the Chemicals, Electronics and Precision Engineering sectors.

We are home to world class vehicle manufacturers including Komatsu, Caterpillar, Cummins and Nissan. Nissan is the UK's largest car plant and the most productive in Europe.

We have strong supply chains including Calsonic Kansei, Gestamp Tallent, Unipres, Vantec Europe, ZF-TRW and Lear, which service other companies nationally and internationally.

Along with other advanced engineering industries, including aerospace and defence, our advanced manufacturing sector provides a focus for the emergence of new industrial opportunities including low carbon vehicles, batteries, power electronics and rail engineering.

We are increasing investment into research, development and new technologies, including advanced propulsion, fuels and connected and autonomous vehicles.

We have relevant skills provision in the Skills Academy for Sustainable Manufacturing and Innovation by Gateshead College.

We have strengths in process innovation through a number of national innovation centres hosted by the Centre for Process Innovation at NETPark in Durham.

### Pharmaceutical manufacturing

We are home to globally competitive pharmaceutical brands including GSK, MSD, Aesica, Sterling, Accord, Arcinova and Piramal Healthcare. We have a world class reputation for regulatory expertise, high quality outputs and a safe manufacturing record.

There is a successful SME base working closely with industrial partners and innovation assets in formulation, novel therapies and biologics.

## Our opportunities

### Made Smarter

The Applied Digital Technologies Science and Innovation Audit has given us insight into the barriers that businesses are facing in adopting next generation digital technologies. This insight underpinned the North East's response to the national Made Smarter Review. We have proposed a collaborative programme to address these barriers and create a regional hub and adoption programme with Tees Valley Combined Authority, which will also secure funding to deliver a North East Made Smarter programme.

### The Automotive Sector Deal

The Automotive Sector Deals presents a significant opportunity for North East suppliers through its ambition to increase the value of UK content in domestically produced vehicles to 50% by 2022.

### Innovation diversification and development

Strengthened innovation activity around long-term sustainability from low carbon production and digitalisation is critical for the future development of the sector.

### Driving the Electrical Revolution

A North East-led consortium is focused on securing funding to deliver the Driving the Electrical Revolution programme.

This will position the North East as a global leader in the development of power electronics, machines and drives.

### Enterprise Zones

Enterprise Zones are crucial to the growth of the advanced manufacturing sector and we will continue to work hard to attract business and investment, with particular focus on the IAMP.

A £500 million development, IAMP is strategically located near Nissan to house major international supply chain companies and create over 5,000 jobs by 2024.

### Centre for Sustainable Advanced Manufacturing (CESAM)

CESAM is a proposed facility that will accelerate process innovation and enable a shift towards industrial digitisation for advanced manufacturers.

The CESAM partnership aims to secure funding and be on site by 2020.



The North East has established and maintained a reputation as a leading hub for UK advanced manufacturing. With global supply chains and trade links, and a continuing focus on quality and productivity, North East produced cars, medicines and other exported products deliver huge economic benefits for the regional and the UK economy.

As we drive forward the Industrial Strategy, I'm struck by the readiness of North East leaders to grasp the opportunities presented by digital and other technologies in their products and processes and look forward to working with the region to drive forward the ambition of the Made Smarter Commission of industrial digitalisation to drive more productive industries and better jobs.

Jeurgen Maier Chief Executive of Siemens UK





## Health and life sciences

Excelling in clinical research, innovation in pharmaceuticals, responding to an aging population

As global health services and markets are changing and being shaped by rapid development of healthcare technologies, resulting in more personalised treatments and the need to respond to the health and social care implications of an ageing population, the North East offers a unique environment for innovation in health and life sciences and medicines manufacturing.

Our combination of skills, physical assets, capabilities and networks can support the delivery of the UK's response to this challenge through the ongoing development of our key capabilities and their strategic co-ordination.

These include excellence in the quality of care and a focus on health innovation and partnership between the health system, science and business.



### World-leading research

47% of biological sciences research at Newcastle University was rated 4 stars in the Research Excellence Framework 2014 meaning it is world-leading

### Research funding secured by North East institutions (2008 - 2018)

£92 million from the Biotechnology and Biological Sciences Research Council

£122 million from the Medical Research Council



The Newcastle University Institute for Ageing comprises a network of over 500 researchers

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## Our assets

### Life sciences

We have world-leading health research and outstanding NHS healthcare organisations, with a record of health innovation and collaborative work with companies.

We have a vibrant SME base in medical technologies including precision medicine and medical technologies, testing and clinical trials.

Regional Innovation pathways have been developed by the Academic Health Science Networks to get new products, services and technologies translated into the NHS. The North East and North Cumbria Innovation Pathway is recognised as UK leading.

### Innovating in pharmaceutical manufacturing

A diverse range of business models, international links and a strong export performance are responding proactively to changing global markets.

We have direct links to the UK Catapult Network, through the Centre for Process Innovation which operates a number of innovation facilities in the region including the National Formulation Centre, the National Biologics Centre and the National Centre for Health Care Photonics as well as the forthcoming Medicines Manufacturing Innovation Centre in Scotland.

### Ageing

Newcastle is a globally recognised hub for the development of medical science and social research in response to the challenges and opportunities of ageing populations.

The Newcastle Institute for Ageing represents a significant number of academics, clinicians and researchers working on all aspects of ageing; from medical, biological and cellular, to psychosocial, economic and environmental. Its vision is to examine and seek a better understanding on all aspects of ageing, in order to create a society where we all live better for longer.

The National Innovation Centre for Ageing was set up in 2014, with £40 million investment from UK government and Newcastle University. It brings together world-leading scientists, business and industry, health and care providers, and the public in a unique space that is designed to lead on innovations that improve all aspects of life for our ageing societies.

### Centres of excellence

We continue to invest in National Centres of Excellence in order to grow our economy and give the region a globally competitive advantage. Our established centres include The International Centre for Life, The Institute for Ageing and Campus on Ageing and Vitality; and The National Formulation Centre based at NETPark in Sedgefield.

## Our opportunities

Through the established Health and Life Science Working Group, The North East Health and Life Science Plan has been developed to secure growth and investment through commercial and public application of clinical research in the NHS industry and of our ageing science asset base.

We will ensure strong link to Industrial Strategy priorities through the Life Sciences Sector Deal and Grand Challenge programmes. Projects contained in Health and Life Sciences plan have been presented for investment into the Sector Deal process, and partners have made proposals to the Grand Challenges. We await the outcomes of these proposals.

It will be critical to maximise the use of the national centres of excellence and their capacity to support and invest in the growth of the sector by continuing to strengthen working relationships and delivery of our project pipeline, including:

- SmartMed is a project supported by the UK Medicines Manufacturing Industry Partnership where the North East LEP is working with the Centre for Process Innovation and partners to enhance support for the smart and intelligent packaging of medicines, smart medical devices and drug delivery. It will deliver benefits to the healthcare system and patients by changing models of delivery in response to personalisation and to reduce medicine waste.
- Great North Care Record is a UK leading initiative to share medical information across the North East and North Cumbria amongst authorised health and social care practitioners. It will ensure that health care activities such as diagnosis medications, hospital admissions and treatments can be improved for both patients and the health system. Collaboration with the AHSN will develop the project to deliver strengthened benefits to the region.



**The North East has a diverse and vibrant clustering of life sciences, manufacturing and health services. I believe that the work that is being done in the North East can support more growth in the region and make a strong contribution to a wider UK initiative to promote research collaboration, partnership and investment globally as part of government's Life Sciences Industrial Strategy.**

John Bell GBE, FRS, FMedSci



John Bell



## Energy

Expertise in offshore Energy and subsea technologies, regional energy and demonstration and innovation

With rapid technological innovation, a growing population and a changing climate, the way we generate and use energy must respond.

As the national and international energy agenda focuses on clean growth, there are huge economic, social and environmental opportunities for the North East to contribute to new solutions that provide clean, secure and accessible energy.

We have an innovative energy community that is responding, whilst servicing global markets.

Our assets are categorised into three key areas: regional energy, offshore energy and subsea technology, demonstration and innovation. Each presents opportunities to drive economic growth and deliver more and better jobs.

The North East is the leading location in England in the wind energy, oil and gas sectors

In 2017, Northumberland generated the second highest amount of electricity from onshore wind, of any English local authority, and had the greatest hydro generation capacity



79 energy research projects receiving £46.2 million

(North East region, 2007-2017)



Industrial costs are over 29% cheaper than Edinburgh and Aberdeen



Total energy consumption +39,000 GWh per year.



38% domestic sector  
31% transport  
31% industrial and commercial sector

Sunderland, County Durham and Northumberland were in the top six UK local authorities for total number of Solar PV sites



North East subsea sector  
50 supply chain companies supporting 15,000 jobs



North East universities in the top 20 for research publications:

Offshore wind Durham 3rd - Northumbria 19th  
Oil and Gas Newcastle 7th - Durham 11th

## Our assets

### Regional energy

We have the UK's largest smart grid project, the £2 million 'Smart Grid Lab' test bed on the Newcastle Helix site. A partnership between Newcastle University, Northern Powergrid and Siemens.

Regional businesses including Nissan, AVID Technology, Hyperdrive and Helix are helping accelerate the transition to low carbon transport and smart energy systems.

The North East has pioneering heat networks, such as the Gateshead District Energy Centre, and a regional pipeline of projects valued at over £280 million under active development.

Geothermal resources within abandoned flooded mines are helping to commercialise low carbon heat.

Durham Energy Institute and the Swan Centre for Energy Research at Newcastle University are leading research institutions for energy.

### Offshore energy and subsea technology

Our world class supply chain expertise are servicing various aspects of the global offshore renewables and oil and gas markets.

We have three major ports, (Port of Blyth, Port of Tyne and Port of Sunderland), providing 7km of quay next to deep water, and easy access to 400ha of development land.

Energy Central is a deep-water East Coast offshore energy base across the Blyth Estuary with extensive physical capabilities, clusters of energy businesses and supported by a strong partnership between the Port of Blyth and Advance Northumberland.

We have excellent access to key North Sea oil and gas fields, and offshore wind development sites such as Dogger Bank, Firth of Forth and Hornsea.

### Demonstration and innovation

Tyne Subsea is a purpose built hyperbaric testing, certification and research facility, developed through a local partnership between British Engines and Newcastle University.

The Offshore Renewable Energy Catapult's £150 million National Renewable Energy Centre, in Blyth, houses world-leading test, validation and demonstration facilities specialising in testing wind, wave and tidal energy generation technology.

The Integrated Transport Electricity and Gas Research Laboratory in Gateshead, is the UK's first full scale integrated energy systems R&D facility, providing a space for industry, academia, SMEs and government to explore and test new energy technologies and processes.

## Our opportunities

### Regional energy

The UK's Clean Growth Strategy estimates that the low carbon economy could grow four times faster than the rest of the economy, while supporting wider clean growth and productivity.

The energy agenda is a crucial part of this transition to clean growth. IPPR research indicates that given the right support, the North has the potential to be home to a clean energy revolution, creating 46,000 new jobs.

### Offshore energy and subsea technology

The North East has been identified as a key cluster for delivery of the Offshore Wind Sector Deal, providing a strong focus to build on regional strengths in offshore energy and subsea technologies.

The Sector Deal ambition sets out a total potential market for UK provided offshore wind, domestic and export, of £4.9 billion annually by 2030. The industry's ambition for 2030 includes £48 billion investment in UK infrastructure, and 27,000 skilled jobs, mainly in coastal areas which other sectors find hard to penetrate.

### Demonstration and innovation

The UK's carbon budgets place restrictions on the amount of greenhouse gas it can emit over five year periods. If the UK is to meet its upcoming carbon budgets, technological breakthroughs and deployment of new solutions and technologies are urgently needed.

We have the innovation and demonstration assets in the North East that form an important hub for research and innovation, and a powerful test bed for businesses to assist with this transition.



With world-leading innovation and research, a strong local supply chain, long established skills base and outstanding infrastructure, the North East can justifiably lay claim to being at the very heart of the UK's clean energy revolution. It could not be better placed to capitalise on the huge ambition and future growth in offshore wind.

Andrew Jamieson, Chief Executive of the Offshore Renewable Energy Catapult



Andrew Jamieson



# Four service sectors to support growth

The success and growth of these four service sectors is essential to support the overall ambition of creating more and better jobs.

The North East LEP will:



Provide a lead facilitation role to bring the sectors together



Coordinate activity and growth



## Education



71,000 people are employed in education in the North East

## Education system includes

870 schools  
9 colleges  
4 universities



Estimated to contribute about 7% of regional GVA

### Potential for growth

Skills are critical to the health of the regional economy and the education sector is a high value employer providing skilled employment across the North East.

The further education Area Based Review, provided a useful oversight of labour market needs. Since then, colleges have worked hard to align their provision to the future needs of business. This has led to investment by colleges in new facilities.

Ensuring we have a strong skills pipeline into the sectors that are fundamental to the regional economy is critical. This is why we are focused on helping education providers to shape their organisations around economic changes so we are fit for the future.

### What is needed to support growth

Ongoing collaborative leadership is required to gather data, influence education institution's strategies, support communication and funding and to promote the sector outside the North East. Leadership from both higher and further education and our schools, as well as collaboration between the education and business sector is essential.

The ongoing work of the North East LEP's Enterprise Advisor Network will grow in impact as the national careers strategy is implemented, matching skills to the needs of employers. The North East Careers Hub must promote innovation to ensure skills levels between business and education also match.

Stronger and ongoing development of links between businesses, education and students is required to facilitate more and better jobs.

### Priorities... a call for action

The North East Skills Advisory Panel is being created to bring organisations together around intelligence and data and to consider opportunities to work together on higher skills and discuss the skills supply and demand.

Schools, colleges, universities and training providers should use the Strategic Economic Plan and its evidence base to inform their own institutional strategies. They should also promote seamless progression and careers escalators to investigate how digital transformation and other employment opportunities can benefit from the sector.

An asset map could be produced to develop collaboration in relation to infrastructure, facilities and equipment and other resources, and to highlight where can be developed to projects to grow the sector assets, employment and expertise of the sector.



## Financial, professional and business services



5,600 companies employ 40,000 people in financial, professional and business services

### Inward investment is driving employment in the region



In the two years to March 2018, 15 foreign investments and 18 from elsewhere in the UK delivered 3,400 additional jobs in the North East in these services



18,000 (almost 25%) of North East university students are studying subjects related to financial, professional and business services

### Potential for growth

The North East has a strong and diverse financial, professional and business services sector.

We are home to the headquarters of Virgin Money and Newcastle Building Society, specialist teams, shared services centres and the local offices of well known national brands. Also based here are leading regional companies in law and finance and specialist consultancies supporting key areas of opportunity like offshore energy.

The clustering of headquarters of innovative companies like Atom Bank, World Pay, True Potential, Wire Card and Scott Logic is driving further interest and investment from financial technology businesses.

A critical factor is the strong flow of graduates from the North East's four universities. Retention of more of these graduates will further strengthen the sector.

One challenge is to ensure a strong transition into jobs requiring similar skillsets for employees as call centres and shared services activity is automated.

### What is needed to support growth

The financial, professional and business service sector has genuine momentum in the North East.

Activities are designed to deliver a strong inward investment flow and to strengthen work on skills through the Enterprise Advisor scheme and encourage graduate recruitment campaigns.

Work is ongoing to ensure office accommodation is readily available across the region in places like Newcastle, Durham and Sunderland City Centres and on key employment sites including Cobalt, the Baltic Quarter, Holborn Riverside and Doxford Park.

Skills supply into the sector needs to continue with greater innovation and a strategy to drive up the demand for higher quality employment.

New digitally driven and automation business models, processes and services are changing the competitive environment in the shared services sector. To ensure that the sector remains competitive, North East businesses must adopt and apply new digital technologies to their business model, whilst supporting their employees through this change.

Continuing investment in transport connectivity is required to ensure the optimum flow of people and goods into and out of the region to ensure we remain competitive within the UK and global markets.

### Priorities... a call for action

Business engagement has identified a need for an uplift in activity which boosts business confidence and growth and improves productivity and skills utilisation. We will:

- Strengthen regional messaging about the scale and diversity of the sector
- Promote employment opportunities to secure and retain skills
- Continue to deliver good value and attractive locations for financial, professional and business service companies
- Provide scale up support to improve business productivity through management skills and exports
- Develop a plan to support the transition of existing investments and associated jobs. This will take advantage of and mitigate the risks from automation and digitalisation

Transition plans to support the sector are a specific priority for business support activity, as digital transformation, automation of service centres and Brexit drive change.



## Transport and logistics



**1,100** enterprises employ **15,000** people in transport and logistics organisations, supporting the movement of goods and people across the region

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**In 2016/17 there were 180 million journeys on metro and bus passenger transport.**

The Metro is the largest light rail system in the UK outside of London and Newcastle Airport is the second most used in the Northern Powerhouse after Manchester



## Freight in 2017

**51 million tonnes** lifted by vehicles,  
**5.3 million tonnes** handled by North East ports  
**5,482 tonnes** handled by Newcastle Airport

### Potential for growth

For a trading region with a complex economic geography like the North East, the importance of transport and logistics is crucial to economic success.

Quality transport infrastructure helps people move for jobs and leisure and distribute goods and services across the economy. The role of key transport hubs and increasingly digitalised signalling will achieve even greater efficiencies and offer opportunities for wider growth.

New business will be driven by increased production, trade and growth in sectors like tourism and education.

Recent work examining trends in sectors like pharmaceuticals suggests there are opportunities for freight growth that could in turn strengthen international connectivity.

Key parts of the transport and logistics sector need to innovate and introduce new business models. The drive to decarbonise transport with new fuels, connected and autonomous vehicles and the digitalisation of warehousing all offer both challenges and opportunities.

Local growth in other sectors can be strengthened through the procurement approach of public transport providers.

Other considerations must include the growing demand for fewer, more highly qualified individuals and the low response to apprenticeships, given more general labour market trends.

### What is needed to support growth

Sector-wide thinking is needed to facilitate growth through:

Strengthened co-ordination between economic and sector growth priorities and transport planning to ensure that growth is enabled and the transition to new modes and business models is actively facilitated.

Better connections between Northern Freight Partnership work and programmes facilitated through the Strategic Economic Plan to aid forward planning and skills development.

Joint work around new tourism products and communications, especially linked to airport and rail user growth, which should be supported by economic development and wider transport partners.

Wider opportunities for stimulating growth through freight, through transport supply chains and innovation in transport.

### Priorities... a call for action

Strengthening of collaborative leadership and co-ordination within the region's transport sector in order to take forward work on skills, transport and sector planning and deliver new opportunities for growth in transport and logistics.

Collaborative work on transport related innovation should be identified and addressed to enhance mobility, reduce carbon and use the transport system as an enabler for wider innovation activity through digitalisation and connectivity.

Create new opportunities to build stronger regional supply chains, including for the replacement of Metro rolling stock.



## Construction



**6,500** enterprises employ **51,000** people in a construction related industry and industry research suggests that by 2022 the sector could create a further **4,200** jobs



**The GVA contribution of this sector to the North East is equal to £2.4 billion in 2016**

**The value of construction exports in the North East is £17 million (2016)**



### Potential for growth

Construction is a strong contributor to the UK and the North East economy. It is also a sector that traditionally faces challenges including low productivity and skills shortages.

As part of the Industrial Strategy, government is working on a Sector Deal to foster greater innovation, enhance collaboration and strengthen supply chains. Offering potential for recruitment, skills development and diversification of the labour force are a key part of this.

Here in the North East, our aim is to accelerate construction by developing skills and regional design expertise, as well as focusing on new technologies such as modular construction and materials including the use of timber.

### What is needed to support growth

The North East has a strong construction sector in terms of numbers of businesses that are medium sized and need to respond to changing markets and challenges.

Collaboration could stimulate greater demand and opportunities, which is why the North East LEP is working with the North East Construction Industry Training Board to encourage organisations to work together to develop skills, win more projects and to influence at a senior decision-making level.

### Priorities... a call for action

Engagement in the North East has identified three priorities, taking advantage of the opportunity created by the Sector Deal.

To strengthen joint working as a sector and to understand and respond to opportunities and challenges with stronger intelligence.

To focus on key opportunities for collaboration including:

- The challenge of a more sustainable industry using new types of resources, reducing energy use and promoting recycling of materials
- Innovation in design, focused on the North East strengths in Building Information Modelling including promoting a Centre for Connected Construction
- Joint work on procurement and supply chain activity.

To continue the focus on skills including working with education partners and considering the potential for a dedicated sector skills hub.

## Five programmes of delivery

We have five programmes of delivery that set out initiatives and projects that will deliver the ambitions of this Plan. They are:



**Business growth**



**Innovation**



**Skills,  
employment,  
inclusion and  
progression**



**Transport  
connectivity**



**Investment  
and  
infrastructure**



## Business growth

### What are our challenges?

North East businesses are below the national average in terms of productivity.

The number of businesses starting and scaling up in the North East remains below that of other areas in the UK.

Many businesses are vulnerable to changes in the economy, including the challenges presented by Brexit.

With the changing dynamic of global trade and Brexit, retaining and enhancing our global connectivity requires the continued development of relationships with the rest of the world, including attracting inward investment.

### What is our ambition for 2024?

Our ambition for the North East is to be a growth orientated, dynamic and productive environment where businesses invest, grow and thrive. At a time of change, we want business leaders to be inspired and supported to achieve their goals through strengthened leadership, innovation and trade, resulting in:

- An increase to the density of scaleup businesses in the North East by 50% from 2014 to 2024. These businesses will deliver 6,000 new jobs into the North East economy
- The attraction of new businesses who invest in the North East and create 4,000 new jobs per year between 2014 and 2024.

We want more businesses to actively seek, and find with ease, the support and finance they need to grow and to strengthen the visibility of opportunities for investment in our economy.

### What are our opportunities?

Businesses that access external support grow faster than those that do not engage. The continued development and simplification of the business support and finance ecosystem, including the North East Growth Hub, alongside European and other funding opportunities, provide us with an opportunity to increase the number of businesses that can access the business support and finance they need to reach their full potential and to progress to their next stage of growth.

Greater focus on productivity by government provides us with the opportunity to increase the productivity and competitiveness of North East businesses by supporting the adoption of excellent business practices.

Government's Export Strategy aims to increase exports as a proportion of Gross Domestic Product (GDP) from 30% to 35%. This provides an opportunity for us to work with the Department for International Trade and local partners to build a strategy for strengthened internationalisation, supporting more businesses to expand into new geographies, markets and supply chains and to secure investment into the North East.

Businesses that effectively adopt digital technologies grow faster, are more profitable and productive. There is an opportunity to build on national and local developments and programmes, including the Made Smarter Review, Supply Chain North East and the Science and Innovation Audit, in applied digital technologies in advanced manufacturing.

### How will we know if we have been successful?

The number of businesses scaling up has increased.

GVA per hour worked has increased.

The number of businesses trading outside the North East has increased.

The North East has continued to secure levels of inward and foreign direct investment, that deliver additional employment opportunities for the region.

## What will we deliver by 2021?

Activity	Description	Key deliverables
<b>Raise levels of business growth ambition</b>	Targeted activities designed to increase awareness of the possibilities for enterprise and to boost people's aspirations to start, grow, scaleup and improve their businesses.	<ul style="list-style-type: none"> <li>• Research, develop and implement a strategy designed to increase businesses' ambition to start-up, grow, scaleup and improve</li> <li>• Develop relationships with intermediaries to reach a larger proportion of the region's businesses, with a particular focus on improving awareness amongst under-represented groups, such as women, ethnic minorities, rural areas and social enterprises.</li> </ul>
<b>Increase demand for external business support and finance</b>	Provide simplified access to the business support and finance required to start up, grow, scaleup and ensure that support services meet the needs of businesses at different stages of growth as well as businesses with specific barriers to engagement.	<ul style="list-style-type: none"> <li>• Provide access to business start-up support, finance and information through the North East Growth Hub online portal and the national Business Support Helpline</li> <li>• Provide one-to-one impartial brokerage to established businesses and high potential start-ups through our Growth Hub Connectors</li> <li>• Provide intensive account management and managed brokerage to businesses that are scaling up or have the potential to do so</li> <li>• Work with high quality private and public partners to ensure business support and finance are accessible to rural businesses, social enterprises and business leaders from different gender and ethnic groups.</li> </ul>
<b>Ensure the supply of external business support and finance matches the needs of businesses and the economy</b>	Review and assess the effectiveness of business support and finance provision to ensure support is available to enable businesses to start, grow, scale up and improve. Working with partners we will identify and fill gaps in provision and raise the quality of provision.	<ul style="list-style-type: none"> <li>• Review business support and finance provision to ensure that the region's ecosystem provides a ladder for business growth from start-up to scaleup and continuous improvement</li> <li>• Introduce a quality assurance system through the North East Growth Hub that assesses the quality of support offered to businesses by external business support and finance providers</li> <li>• Work with private and public partners to design and develop a range of interventions to drive productivity improvement and the adoption of digital technology</li> <li>• Ensure peer mentoring and peer-to-peer leadership development is available to support businesses to scale and improve productivity</li> <li>• Work with partners to increase the density of high potential start-ups in the North East</li> <li>• Work with partners to enhance access to high quality solutions designed to tackle the barriers to scaling up</li> <li>• Work with the Department for International Trade and local partners to develop an internationalisation strategy that supports the national Export Strategy in achieving its goal of moving exports from 30% to 35% of GDP</li> <li>• Continue to develop the North East Growth Hub Business Support Provider Network to encourage collaboration and the sharing of good practice.</li> </ul>
<b>Improve the region's economic resilience</b>	Support businesses to prepare for and trade through global trade changes, including Brexit.	<ul style="list-style-type: none"> <li>• Use the North East Growth Hub to distribute up-to-date information on business support and finance options available to support Brexit preparations</li> <li>• Work with partners to develop programmes and solutions designed to help businesses to diversify into new markets, supply chains and geographies, including through Supply Chain North East</li> <li>• Work with partners to inform the business support and finance funding mechanisms that will replace the European Structural and Investment Funds</li> <li>• Work with partners to set up task forces, when appropriate, to prepare for, to mitigate the effects of and to deal with the fallout of economic shocks.</li> </ul>
<b>Grow inward investment in the region</b>	Maximise North East job growth from regional, national and international businesses investing in the region.	<ul style="list-style-type: none"> <li>• Combined and local authorities, the North East Local Enterprise Partnership, the Department for International Trade and the private sector will work together with a shared ambition of securing maximum inward investment into the North East</li> <li>• Establish and follow a clear target driven, lead generation model that is focused on the Strategic Economic Plans' areas of strategic importance and support service sectors</li> <li>• Have a robust account management system, led by the local authorities, to share knowledge and investment opportunities with key partners</li> <li>• Develop and deliver an integrated marketing plan to raise the profile of the North East as a place to invest and locate.</li> </ul>



## Innovation

### What is our ambition for 2024?

Innovation is central to our long-term aim to build a more productive North East, fostering a competitive and embedded business base and solving social and economic challenges in the region and beyond. It is a tool for internationalising our economy, particularly in areas of specialisation, by attracting partners and investors to engage in our science, research and business base and for strengthening the competitiveness of businesses and the creativity of communities.

We have an ambition of a collaborative and open innovation eco-system that enables the matching of what is needed to what is possible to drive economic or social value, or both.

Through a focus on strengths and key capabilities, our aim is to secure stronger flows of business investment into research and development in the region, to maximise local business growth and continue to build our reputation through investment in our assets.

We aim to increase the number of innovation active businesses by 550 and increase investment in business research, development and innovation by 50% between 2014 and 2024.

### What are our challenges?

Comparatively we have a lower level of investment in research, development and innovation particularly from private sector.

The North East is a relatively small economy, meaning there are fewer opportunities for innovation to arise from a large number of potential collaborators and competitors being in close proximity to each other than in other areas.

There is a low number of headquarters and research, development and innovation (RDI) facilities in the North East - as these are functions that are most likely to engage in innovation, this limits the level of innovation in the region.

The region has a wide range of innovation assets including universities, catapults and national centres of excellence - but more needs to be done to ensure businesses are utilising these to improve commercial returns and to solve social challenges.

### What are our opportunities?

Growing understanding and interest in open-innovation and challenge-based approaches to innovation provide the basis for new collaborative, commercial-focused activities, building on our established test and demonstration capabilities.

Local knowledge and business strengths are relevant to growing markets, providing opportunities for North East businesses to capitalise on innovation and to develop new products and services, processes and market.

Increased investment, including through the government's pursuit of 2.4% of GDP for innovation and dedicated funds (National Productivity Investment Fund), support productivity and efficiency gains from innovation.

### How will we know if we have been successful?

Increase the percentage of businesses that are 'innovation active' by 2021.

Increase R&D investment to 2.4% of GVA by 2027.

Reduce the gap by 50% in business expenditure on R&D against the UK average by 2021.

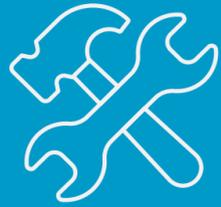
Increase the percentage of businesses that are engaged in process innovation by 2021.

Increase the percentage of businesses that are engaged in 'wider innovation' by 2021.

Increase the share of UK government innovation expenditure per capita to the UK average by 2021.

## What will we deliver by 2021?

Activity	Description	Key deliverables
<b>Stimulate new business opportunities through the North East Open Innovation Challenge</b>	Develop a brand and a coordinated approach to open-innovation and challenge-based programmes, recognising the potential for these approaches to engage local SMEs, to open up commercial collaborations and to take advantage of our region's smaller scale.	<ul style="list-style-type: none"> <li>Support growing activity to foster open innovation between large corporates, public sector and innovation-led SMEs in the region with a clear brand</li> <li>Support the alignment and communication of open innovation and challenge events and programmes to create critical mass and deepen engagement with regional businesses in events</li> <li>Support best practice for open innovation events.</li> </ul>
<b>Prioritise a regional pipeline of projects to form a Strategic Investment Programme</b>	Develop a shared, prioritised list of regionally important strategic pipeline of innovation projects including consideration of place implications and gaps. This pipeline will provide focus for identifying and securing funding.	<ul style="list-style-type: none"> <li>Develop a prioritised list of regional, large-scale pipeline projects</li> <li>Align with activities undertaken by our Combined Authorities</li> <li>Focus on large-scale collaborative projects that have the capacity to have significant impact for the regional economy and create jobs</li> <li>The North East LEP's Innovation Board will play a challenge and support role, holding regional partners to account for progress in developing the evidence base and business plans, securing funding and delivering pipeline projects</li> <li>Develop a programme to address identified place-based gaps to supporting business growth</li> <li>Coordinate an approach to securing funds for pipeline projects, including from the the National Productivity Investment Fund (NPIF) and Grand Challenges.</li> </ul>
<b>Support our businesses to capitalise on local research and innovation capability</b>	Work with partners to enable local businesses to secure greater commercial value from research, development and innovation assets.	<ul style="list-style-type: none"> <li>Strengthen collaboration between businesses and innovation assets such as universities, catapults and national centres of excellence</li> <li>Enhance the co-ordination between businesses, sectors, and innovation assets</li> <li>Support our innovation assets to successfully secure national funding to run regional programmes</li> <li>Work with service delivery partners such as the NHS and local authorities to take-up and roll-out new delivery approaches.</li> </ul>
<b>Increase private sector investment into growing innovation businesses</b>	Engage with investors and funders to increase access to and success in securing finance for innovation for North East businesses.	<ul style="list-style-type: none"> <li>Support VentureFest and FinanceCamp</li> <li>Develop new approaches to lever private funding from outside the region</li> <li>Develop an open innovation challenge to drive increased collaborative investment</li> <li>Work with universities to continue to grow spin-out success, including through Northern Accelerator.</li> </ul>
<b>Engage partners to identify and drive business growth through an Innovation Sectors and Competencies Programme</b>	Develop stronger clarity over commercial strengths, existing and potential and put in place governance and support arrangements to drive delivery.	<ul style="list-style-type: none"> <li>Identify and prioritise regional innovation sectors and competencies, including assessing where these align with the Industrial Strategy and North East Local Industrial Strategy</li> <li>Put robust governance in place in identified priority areas</li> <li>Ensure buy-in and engagement with the private sector</li> <li>Develop a portfolio of projects and programmes</li> <li>Identified leads and capacity to drive activity</li> <li>Improve alignment of innovation activities to skills and business growth programmes.</li> </ul>
<b>Coordinate regional partners to provide enhanced innovation support activity</b>	Review current activity to prepare a coordinated innovation support and skills programme with providers to reduce duplication and improve signposting through the North East Growth Hub.	<ul style="list-style-type: none"> <li>Supporting the delivery of a programme of innovation support for regional businesses</li> <li>Ensure activity is aligned through successful partnerships brokered by the Innovation SuperNetwork</li> <li>Support businesses to increase their investment in RDI</li> <li>Strengthen our links with national and international hubs and networks to generate commercial returns for local businesses.</li> </ul>



## Skills, employment, inclusion and progression

### What are our opportunities?

Opportunity North East, is a pledge of £24 million by the Department for Education (DfE) to boost social mobility and raise aspirations for children across the wider North East. We will work with DfE and local partners to maximise the impact of this programme.

We will build on our reputation for innovation in delivering exceptional, robust pilot projects to inform national policy.

Evidence is showing there is a need to provide more personalised employability services and to be more ambitious about linking those that are out of work with good quality employment opportunities, especially those that lead to progression opportunities.

We will work with partners across the region to help build the evidence base that informs the delivery of more focused provision and improved services.

Increasing the number of high quality, high skill jobs in the North East provides an opportunity to encourage more graduates from our four universities to stay in the region after graduation and to encourage those that have studied elsewhere and skilled workers already in the labour market to relocate to the North East.

There is increasing research that demonstrates offering 'good work' - including fair wages, hours and working conditions - delivers for the business bottom line. Many regional partners, including the CBI, North East England Chamber of Commerce and TUC North have delivered programmes around this agenda and this has created a strong basis to build on further.

To encourage the increased availability of data both locally and nationally to ensure education and training priorities are based on a strong understanding of the North East labour market and how it is changing over time.

To ensure that employers recognise the value and potential of our older workforce.

### What is our ambition for 2024?

Our long-term ambition in the North East is that demand for skills and the quality of jobs continue to improve, leading to higher productivity. To deliver this, the North East must be a place where:

- Individuals, regardless of age or employment status, have a good understanding of the employment opportunities available in the North East and the pathways to access them
- Employers have strong links with education and training providers leading to responsive provision that meets local needs
- All partners understand the importance of skills in improving productivity and living standards, with commitment to delivering good working environments for residents.

This is an ambitious vision that will require substantial changes to deliver. By 2024, our ambition is that these principles are understood across the region and that there has been significant progress made towards their achievement, providing a strong base to build on in future years.

### What are our challenges?

Our primary schools are amongst the best in the UK, but the performance of our secondary schools is more mixed with poor outcomes at many schools in terms of qualifications achieved and post-school destinations. There is no clear pattern about what underpins this under-performance.

Whilst there has been improvement over recent years, the North East still has a relatively high proportion of its young people not in education, employment or training.

We have fewer North East school leavers than other areas that go on to attend the top performing UK universities.

Skills shortages and skills gaps suggest there are mismatches between the skills employers are looking for and those available in the workforce. This is likely to reflect both genuine shortages and gaps and an element of individuals and employers failing to recognise skills.

Employers typically under invest in training and workforce development, with this being a particularly critical issue in some sectors.

Educators and training providers should have a good understanding of the digital skills needs required by employers and provision should support individuals to develop these skills. Given the emerging and changing nature of these skills, it is currently a challenge for schools, colleges and universities to plan, resource and deliver provision that keeps pace.

Brexit and a tighter labour market will create challenges for a number of sectors including those that draw heavily on a migrant labour force and/or are labour intensive including agriculture, construction, contact and customer service centres, health and social care, hospitality and retail.

Despite significant improvements over the last five years, unemployment and economic inactivity remain higher in the North East than in many other areas.

Some groups are more likely to be out of work than others. In particular, those with health issues and disabilities are likely to be long-term unemployed or inactive. Health and employability services need to be brought closer together if this group is to be effectively supported. Changing employer perceptions of this group and helping them see the value of individuals in this group is also critical.

Given the growing evidence of in-work poverty across the UK, it will be important that as we work to improve the employment opportunities in the North East that we focus on creating opportunities that offer good wages, hours and working conditions, to provide opportunities that allow individuals to move out of poverty.

### How will we know if we have been successful?

Reduction of reported skills shortages and gaps in key sectors of the economy.

Reduction in gap with England excluding London on unemployment and economic inactivity rates - working age population, young people and older people (50-64).

Increase in employers that understand the importance of offering 'good work' and are implementing changes to deliver this.

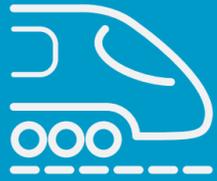
The North East is recognised as a key location for piloting new approaches to skills, employment, progression and inclusion.

Increase in the proportion of individuals with digital skills.

Perceptions of individuals and employers in the North East as a place to build a career have become more positive.

## What will we deliver by 2021?

Activity	Description	Key deliverables
<b>Deliver North East Ambition</b>	Build on the success of the Gatsby Good Career Guidance Benchmark pilot with schools, colleges and employers delivering outstanding careers guidance from primary education to employment.	<ul style="list-style-type: none"> <li>• Develop a primary school benchmark pilot that could influence the national careers strategy</li> <li>• Adoption of the Gatsby Good Career Guidance Benchmarks by all secondary schools and colleges</li> <li>• Secure and deliver a £3.4million North East Ambition programme that ensures our education system provides young people with the skills to meet the long-term needs of the North East economy.</li> </ul>
<b>Deliver Education Challenge</b>	Work with partners to support school leaders, teachers and governors to reduce the gap between our best and lowest performing schools and to ambitiously aim that all students have the opportunity to be educated in good or outstanding schools.	<ul style="list-style-type: none"> <li>• Partner with the Department for Education and others to consider the allocation of the £24 million Opportunity North East funding to improve prospects for young people in the North East, boost social mobility and raise aspirations for children</li> <li>• Expand delivery of the Next Generation Learning pilot focussing on school leadership, high quality CPD, rich employer engagement, early preparation for next stage, a focus on wider skills, a focus on student well-being and teaching and learning through applied learning, project based learning and oracy skills.</li> </ul>
<b>Improve skills progression</b>	<p>Improve skills progression by encouraging the provision of high quality opportunities to learn through further and higher education (FE/HE) and other providers. Increase partnership between education and employers to reduce the mismatch between skills supply and demand.</p> <p>Map out all of the skills routes so that learners and potential learners are clear on the their options and that provision and learner choice is based on sound labour market information</p>	<ul style="list-style-type: none"> <li>• Develop a list of the region's assets within FE, HE and other providers to inform future investment and provision</li> <li>• Promote the North East as a potential location to pilot a system to help individuals recognise and record their transferable skills</li> <li>• Work with the Apprenticeship Growth Partnership and other partners to increase the number of apprenticeships available at all levels within growth and labour-intensive sectors</li> <li>• Support partners to implement good quality T-levels and specialist technical education to widen choices for young people</li> <li>• Secure funding to deliver a university pilot project focussing on careers and opportunities</li> <li>• Promote the North East as a location to 'Live Work and Stay' for recent graduates and skilled workers.</li> </ul>
<b>Increase youth employment</b>	Increase youth employment by creating and building pathways for the most vulnerable and disadvantaged young people into education, training and employment and helping young people understand why skills development is beneficial.	<ul style="list-style-type: none"> <li>• Continue to deliver Generation North East and the model to prevent youth unemployment</li> <li>• Provide specialist intensive support for those most distant from the labour market because of disadvantage, poverty and poor physical and mental health</li> <li>• Grow the number of apprenticeships by developing access courses</li> <li>• Ensure young people are able to develop their digital skills. This requires digital skills to be built into school, FE and HE courses, exploring new models of delivery including working to secure an Institute of Technology in the region and ensuring that support for young people not in education, employment or training includes digital skills training.</li> </ul>
<b>Improve labour market activation</b>	Encourage the commission of holistic approaches that include employers and the integration of services so people facing health barriers are fit for work, have a clearer path to career progression, and that organisational culture prioritises wellbeing to reduce excessive workload and stress.	<ul style="list-style-type: none"> <li>• Continue to develop holistic packages of support for people facing health barriers to employment, building on successful projects such as Mental Health Trailblazer and Working Links, showcasing the benefits of collaboration</li> <li>• Ensure support is in place for those that have moved from unemployment or inactivity into work to help them progress and acquire further skills</li> <li>• Increase take up of Better Health at Work Awards and similar schemes to employers, to share employment and human resources best practice.</li> </ul>
<b>Ensure connected communities</b>	Increase social mobility and economic activity by working with partners to increase access to digital skills.	<ul style="list-style-type: none"> <li>• Provide targeted support for communities and individuals, focussing on those with multiple barriers or protected characteristics, and ensure this is a strategic funding priority</li> <li>• Work to secure funding and other resources to ensure that all North East residents are able to develop their digital skills regardless of their age, location or economic status</li> <li>• Consideration of digital skills provision and local digital infrastructure must be prioritised.</li> </ul>
<b>Help deliver Fuller Working Lives</b>	Reduce inactivity levels in our older workforce and help older employees develop new skills, encourage flexible employment and offer specific support to those out of the labour market.	<ul style="list-style-type: none"> <li>• Continue to develop and implement the North East's Fuller Working Lives strategy with a supporting communications plan that targets employers and addresses the challenges and opportunities around this agenda.</li> </ul>



## Transport connectivity

### What are our challenges?

We want North East residents and visitors to move around the region sustainably, either by public transport or active travel. To do this, we need a system that allows them to plan their journey and purchase tickets seamlessly across all modes and operators.

Funding opportunities are often national and part of a competitive process. To be successful, the North East has to develop high quality, evidence based, innovative and sustainable proposals that compete at a national level.

The East Coast Mainline to the north of York has no committed investment to grow its capacity and resilience, required to link the region to HS2 and new Northern Powerhouse rail routes.

East-West connectivity is slow and requires investment for both road and rail to connect the North East across the Northern Powerhouse.

The single largest source of energy consumption in the North East is road transport. In the transition to clean growth and low emission road transport, electric vehicles and supporting charging infrastructure is a focus for national policy. Whilst we have a number of assets in this area, including the 'Go Ultra Low Programme', which has made progress in delivering a high quality electric vehicle charging network for the region, we must continue to develop and deliver on our plans to improve in this area.

### What is our ambition for 2024?

Our ambition is one of improved, greener and more sustainable transport options, including public transport, cycling and walking.

New mobility solutions will make travel simple and affordable across our distinctive local economy. Quality infrastructure will make for reliable, fast journeys with connectivity into national and international freight and passenger networks. This network will be the enabler to sustainable growth and opportunity, and to the North East being an outward looking economy attracting trade, investment and visitors from across Europe and the world.

Through the Strategic Economic Plan we have established a strong investment pipeline. Our aim is to continue to deliver continuous improvement in a modern, integrated transport system that underpins our economic ambitions.

### What are our opportunities?

The £1.7 billion Transforming Cities Fund allows us to bid for significant funding that will enhance our sustainable transport infrastructure and new mobility zones.

This fund will also give us an opportunity to trial new mobility platforms.

As a partner of Transport for the North, we are influencing the Northern transport agenda to ensure that both regional and wider Northern connectivity and infrastructure will feature within their Strategic Transport Plan.

Locally, through our Regional Transport Plan, we have the opportunity to develop a pipeline of schemes to focus on improving local journeys.

Our airport and seaports collectively welcome millions of passengers and manage millions of tonnes of freight each year. They contribute significantly to the regional economy, supporting our export, tourism and education economy. We need to ensure there are robust plans in place to continue this growth and economic contribution.

Our transport network is well placed to be a test bed for innovation and partnership projects.

### How will we know if we have been successful?

Capital funding in excess of £130 million will have been secured through Transforming Cities, and sustainable infrastructure delivery will be underway.

Satisfaction with the sustainable network will have increased with interventions including new Metro trains to grow public transport use. Road journey time reliability will have improved.

We will have an established regional transport plan which will lead to a clear pipeline of transport schemes for the region.

We will be actively pursuing both public and private funding avenues to increase the rate of investment in transport locally.

## What will we deliver by 2021?

Activity	Description	Key deliverables
<b>Ongoing transport project delivery</b>	Completion of projects that are already committed and underway.	<ul style="list-style-type: none"> <li>Continued infrastructure renewals on the Metro system to promote system reliability</li> <li>Further roll out of electric vehicle charging points through the Go Ultra Low North East Programme to encourage the uptake of Ultra Low Emission Vehicles in the region</li> <li>Delivery of the Local Growth Fund transport programme and the Local Sustainable Transport Fund capital programme.</li> </ul>
<b>Secure funding from Transforming Cities Bid and commence delivery</b>	We are one of 11 regions able to bid into the £1.7 billion funding pot for sustainable transport infrastructure.	<ul style="list-style-type: none"> <li>A high quality bid, that secures significant capital funding for the sustainable transport network</li> <li>Begin a programme of sustainable infrastructure interventions in public transport, walking and cycling</li> <li>Develop the foundations of an innovative new mobility ecosystem with digitally based ticketing.</li> </ul>
<b>Deliver better connectivity through improved infrastructure</b>	Improve capacity, resilience, reliability and sustainability of our network.	<ul style="list-style-type: none"> <li>Interventions on the local Strategic Highways Network, including major junction projects and commencement of A1 improvements</li> <li>Roll out of the first trains in the Metro fleet replacement programme</li> <li>Commissioning of electric vehicle filling stations and charging clusters.</li> </ul>
<b>Develop a future transport investment pipeline</b>	Develop our Regional Transport Plan and co-developing with Transport for the North to ensure investment priorities are clear.	<ul style="list-style-type: none"> <li>Development of the North East Transport Plan including supplementary thematic strategies designed to support our economy</li> <li>Continued participation in Transport for the North and Rail North to identify pan-northern connectivity priorities</li> <li>A pipeline of schemes matched to targeted funding solutions.</li> </ul>
<b>Improve national and international connectivity</b>	The continued growth of national and international connectivity to key markets.	<ul style="list-style-type: none"> <li>Delivery of the programme of interventions outlined in the Newcastle Airport Masterplan to grow routes and foster wider business growth in associated sectors</li> <li>Agreement with Northern Powerhouse Rail and others on approach to East Coast Mainline improvements</li> <li>Ongoing augmentation of port capability to support trade and investment and to foster growth in key regional areas of opportunity including energy and advanced manufacturing.</li> </ul>
<b>Use transport to drive, innovation and business growth</b>	Develop a programme of activities that use transport as a focus for business growth and innovation.	<ul style="list-style-type: none"> <li>Joint work across all transport modes to identify opportunities for innovation in areas including energy, fuels, digital mobility and the development of the Centre for Connected Autonomous Vehicles</li> <li>Collaborative work with tourism agencies to strengthen the offer for business and visitor tourism</li> <li>Collaborative work to develop supply chain and skills development programmes linked to transport and logistics.</li> </ul>



## Investment and infrastructure

### What is our ambition for 2024?

Through focussed and co-ordinated investment we will address market failures and competitive weaknesses. We will work with partners to quicken the pace and scale of investment across the North East, focusing on our business and infrastructure investment opportunities and needs. Opportunities for job and productivity growth on strategic employment sites, in town and city centres, along strategic transport corridors, in our culture and tourist hubs and in the rural economy will be prioritised.

#### What are our challenges?

##### Investment is required to:

Advanced infrastructure or remediation is needed to unlock and accelerate private sector development on key employment sites.

Address an under supply of Grade A industrial and office space which, if continues on historic trends, will inhibit growth.

Plug existing viability gaps due to low property value and rental levels which hold back development.

Facilitate a general modal shift to sustainable forms of travel, tackling congestion and improving the quality and reducing journey times of people and goods.

Improve digital infrastructure, to provide a competitive position for the region.

Further accelerate our innovation eco-system.

Maximise the economic impact of our region's vibrant cultural and tourism offer.

Ensure fit for purpose business growth and skills provision to fuel our economic opportunities.

Provide long-lasting and resilient assets that also remain competitive and sustainable against climate change and flood risk.

Address the under provision of housing stock to meet demand, respond to demographic change and support increased pace in the delivery of new and affordable homes through infrastructure.

Adapt to the impact of changing patterns of consumer retail expenditure impacting on traditional high street retailers and the vibrancy and attractiveness of our town and city centres.

##### There is limited funding available for investment as a result of:

An increasingly competitive approach to access UK government funding requiring strong evidence based and nationally competitive project and programme proposals, often with limited time for a co-ordinated regional response.

Lack of available match funding and public austerity measures.

Unclear availability of funding as European and UK government regional economic development funding ends and the proposed UK Shared Prosperity Funding begins post 2021.

There is limited access to finance for businesses to invest and grow through either venture capital or traditional banking routes.

#### What are our opportunities?

##### To focus resources in order to:

Invest in enabling infrastructure and premises that support the development of agglomeration economies in specific sectors and localities.

Identify strategic economic priority investments required for economic growth and develop those key projects ready for delivery.

Develop best in class digital infrastructure to underpin the efficient functioning and growth of the regional economy, and identify opportunities to improve and accelerate the roll out of fibre, 4G and 5G technologies to accelerate business opportunities and growth to gain regional competitive advantage.

Invest in key riverside employment and port infrastructure to meet the needs of the energy sector and increased international trade.

Invest in our strategic employment sites, innovation and national centres of excellence and economic assets, including site preparation and build costs to bring strategic employment sites to market and maximising the opportunities linked to our innovation and nationally recognised assets to build our eco-systems and attract inward investment.

Work with partners to take advantage of our science and innovation assets and to maximise our natural assets to support biodiversity, flood mitigation, CO2 reductions and deliver visitor economy benefits in the rural economy.

Provide support for businesses to grow with access to available skills.

To develop a coordinated, collaborative, strategic approach across the North East to secure growth to ensure the North East is ready to compete for UK funding.

To develop strategic projects ready for delivery.

To coordinate a regional response and work with partners to secure funding opportunities as they become available.

To gain a better understanding of supply and demand for business finance to inform where there are gaps in strategic provision.

## What will we deliver by 2021?

Activity	Description	Key deliverables
<b>Manage the already secured North East LEP funding effectively</b>	Successfully manage and have oversight of funding controlled by the LEP, ensuring that investment is targeted at projects and initiatives that deliver the aims of the Strategic Economic Plan and investment priorities for 2019 - 2021.	<ul style="list-style-type: none"> <li>Invest the £270 million Local Growth Funding grant into transport, infrastructure for strategic science parks and employment sites, plus skills and business growth activities</li> <li>Maximise the loan investment opportunity of the £55 million North East Investment Fund into strategic projects</li> <li>Progress delivery of the 21 Enterprise Zone sites' infrastructure programme.</li> </ul>
<b>Coordinate partners to develop a regional project pipeline based on spatial economic priorities</b>	<p>Develop an integrated, strategic, spatial statement for the North East, setting out key sites and opportunities for employment, transport, housing, tourism and culture to guide investment decisions. This spatial narrative will also support the Environment Plan and the Local Industrial Strategy.</p> <p>Build on the spatial narrative to research and develop a strategic project pipeline for the North East identifying the top strategic projects to inform priority business case development, as well as a wider analysis of future capacity and funding requirements to meet the delivery of the Strategic Economic Plan and Local Industrial Strategy.</p>	<ul style="list-style-type: none"> <li>Produce a regional project pipeline based on agreed spatial economic priorities through effective partnership working with the two combined and seven local authorities, business and education partners and government.</li> </ul>
<b>Secure additional investment into the North East</b>	<p>Identify funding sources to invest into the region from public and private sources, working in collaboration with our partners.</p> <p>Coordinate regional bid activity where appropriate to secure and maximise potential funding into the region.</p> <p>Prepare for the proposed UK Shared Prosperity Fund.</p>	<ul style="list-style-type: none"> <li>Secure UK government funding linked to delivering the Industrial Strategy into the region</li> <li>Secure the notional allocation of European Structural and Investment Funding into the region with partners</li> <li>Work with public and private sector partners to develop and secure funding for strategic projects.</li> </ul>
<b>Increase access to finances for business to invest</b>	Review the current access to finance landscape in the North East to identify the gaps in provision and identify and work with partners to develop and meet business demand, including the effective use of recycled loan funding and regional future legacy funding.	<ul style="list-style-type: none"> <li>Effectively deliver the North East Fund</li> <li>Identify gaps and market demand for new business finance models</li> <li>Develop business finance mechanisms to meet the needs of North East businesses.</li> </ul>

#### How do we know if we have been successful?

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By December 2021, our Local Growth Fund programme and Enterprise Zone infrastructure programmes will be nearing completion with most projects in successful operation.

These projects will have received over £400 million of North East LEP funding and secured £260 million other public sector and £830 million private sector investment.

We will attract 4,000 jobs on direct employment sites, with this figure rising to 10,000 jobs by 2025.

We will be successfully targeting the North East Investment Fund (NEIF) loans to maximise impact.

A regionally owned spatial investment plan and project pipeline will have been developed with the key projects being brought forward.

By 2021 deliver more than 430,000 sqm of new and refurbished commercial floor space.

By 2021, unlock 50 ha of brownfield land.

# Developing our North East Investment Plan

The strategic projects set out below are examples of projects which will inform the proposed North East investment project pipeline, and will be considered alongside other strategic projects to attract future investment depending upon the specific criteria attached to the funding source.

**Newcastle International Airport:** recent connectivity enhancements and diversification have demonstrated opportunities for growth. Continuing route development, supported by associated local delivery of business growth around the airport will be developed as part of a new masterplan to ensure that the region's economic objectives are achieved. The airport is supporting a strategic approach to passenger growth through tourism working with partners in the North East Tourism Alliance, including the creation of a regional inbound tourism website, overseas marketing campaigns, and itinerary and bookable product development.

**Strengthened A66 and A69 links to Cumbria and the West of England.**

**Metro enhancement and rolling stock:** the next stage of upgrade has secured investment with the first new trains to enter service during 2021.

**North East Convention Centre at Gateshead Quays:** enabling the region to better compete for large-scale national and international events and benefit from hotel developments, this will include a new purpose-built conference and exhibition centre.

**Durham Infrastructure Programme:** opening up Aykley Heads Northern Zone and North Road as a key gateway into the city.

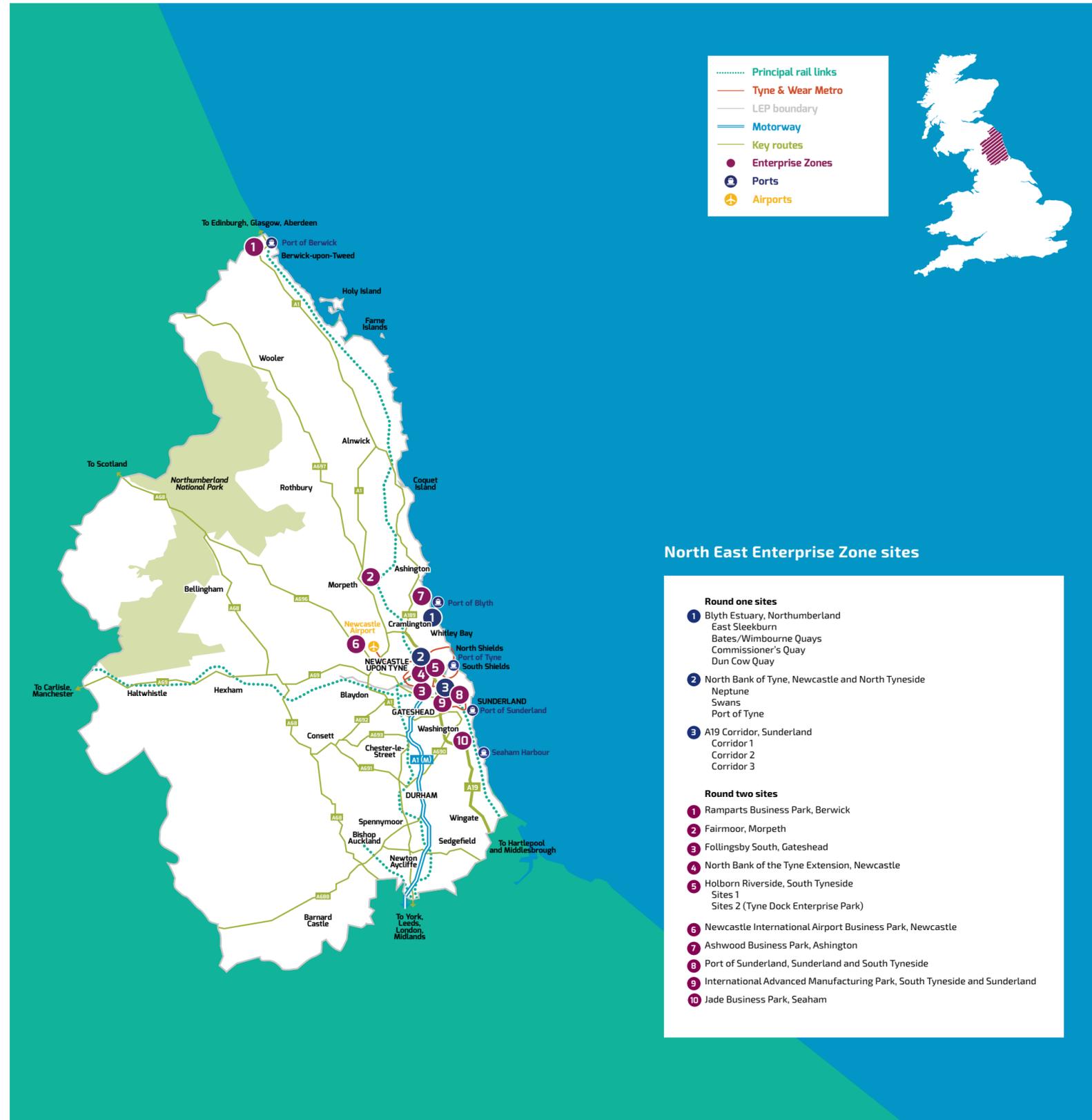
**The Water Innovation Hub:** supported by Northumbrian Water Group, Durham University and the Environment Agency, the hub acts as an enabler for innovation to respond to challenges like climate change.

**North East Technology Park (NETPark):** hosting two national catapult centres and a number of National Innovation Centres, NETPark provides science, technology and engineering companies with a wide choice of world-class laboratory, clean room, office and manufacturing facilities.

**Strategic Rail Freight Infrastructure (SFRI) at Forrest Park:** enhancing the site as an investment location and improving access to the adjacent Aycliffe Business Park, connecting the Hitachi Rail Europe site to markets and improving access to the neighbouring Engineering University Technical College.

**Securing benefits and connection from High Speed 2 (HS2) and Northern Powerhouse Rail (NPR) to the North East and Edinburgh:** HS2 is planned to join the East Coast Mainline near York, so that new faster trains can reach the North East and bring associated connectivity benefits.

**A19 junction improvements:** providing a resilient and high quality strategic road network with improved links and more reliable journey times.



**Introduction of passenger services to the Northumberland to Newcastle line:** connecting urban South East Northumberland with North Tyneside and Newcastle via an interchange with the Metro system.

**Newcastle Gateshead Accelerated Development Zone (ADZ):** regenerating key sites – Newcastle Helix, Stephenson Quarter and Newcastle Central Station, East Pilgrim Street, Gateshead Quays and Baltic Business Centre.

**Newcastle Central Gateway, High Speed ready:** Newcastle Central Station must be ready as a destination for the arrival of HS2 in 2033 with a board being formed to deliver these upgrades.

**Centre for Energy Systems Integration (CESI):** £20 million research consortium investigating future energy challenges for the UK, led by Newcastle University and partnering with other UK universities including Durham.

**Integrated Transport Electricity and Gas Research Laboratory (InTEGREL):** UK's first full scale integrated energy systems R&D facility, led by Northern Gas Networks, working with Northern Powergrid and Newcastle University.

**Sunderland and South Tyneside City Deal:** supporting investment in the automotive and advanced manufacturing industries and developing a Central Business District on the former Vaux Brewery site.

**International Advanced Manufacturing Park:** develop all phases of the site to provide a high quality location attractive to a range of advanced manufacturing businesses.

**Sunderland Station:** redevelopment of Sunderland Station to support regeneration, providing a welcoming gateway and vital transport hub for businesses, residents and the University of Sunderland.

**Continuing development of the Sunderland Strategic Transport Corridor (SSTC):** Strengthening access to Enterprise Zone sites via the A19 and to the Port of Sunderland.

**Newcastle Helix:** a 24 acre hybrid city quarter, built for international tech and science businesses, the local community and residents.

**Centre for Sustainable Advanced Manufacturing (CESAM):** partners will work to secure funding for a facility that will accelerate process innovation and enable a shift towards industrial digitisation for advanced manufacturers.

**Driving the Electrical Revolution:** a North East-led consortium is focused on securing funding to deliver the Driving the Electrical Revolution Programme that will position the North East as a global leader in the development of power electronics, machines and drives.

**Multiple locations:**

**North East Enterprise Zones:** 21 strategically located sites near sector clusters to attract investment.

**Strategic local regeneration schemes:** local partners are working hard to bring forward schemes in town centres across the region, creating a focus for investment and new jobs for local residents. Examples include South Shields 365 in South Tyneside, the development of Ashington town centre and the Durham riverside renewal.

**Collaborative tourism marketing:** collaboration by partners across the region including Newcastle International Airport and the North East Tourism Alliance will deliver development and promotion of the cultural and tourism offer opening up the region to new visitors and extended stays.

**Tourism Sector Deal and Tourism Action Zone:** the Tourism Sector Deal is exploring opportunities to grow the UK tourism sector with the creation of tourism action zones to support investment and sector growth being proposed. The North East Tourism Alliance and North East LEP have expressed interest to government in becoming the first wave of these zones.

*Section five*

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***Transparency,  
accountability and progress***

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## Governance

The North East Local Enterprise Partnership (LEP) Board ensures that a robust and transparent governance structure underpins its work and ensures it complies with all of the recommendations from the national LEP review, published in 2018.

It is supported by four advisory boards and groups that focus on the areas of strategic importance in partnership with industry and education.

The effectiveness of the governance structure is reviewed annually by government to ensure it is fit for purpose and fulfils the recognised 'good governance model'.

In addition, the North East LEP plays a key role in regional governance, working closely with the two combined authorities and seven local authorities.

### Regional governance

Regional governance changed on 2 November 2018 after government agreed to devolve powers and funding and form a new Mayoral North of the Tyne Combined Authority. This sees Newcastle, North Tyneside and Northumberland local authorities come together with a shared ambition for a more dynamic and inclusive economy. The North East Combined Authority, made up of the four local authorities South of the Tyne; Durham, Gateshead, South Tyneside and Sunderland, remain focussed on economic growth together for their part of the region.

Transport matters for the North East region continue to be overseen by all seven local authorities, through the Joint Transport committee. The North East LEP also advocates for the region as a whole.

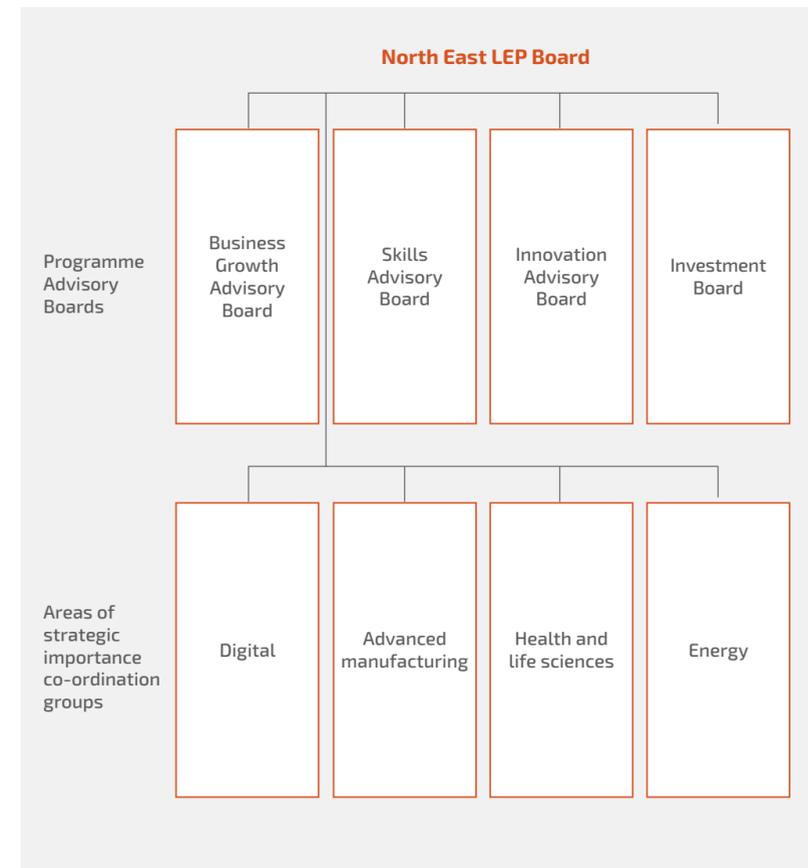
### North East governance

Seven Local Authorities	Newcastle City Council	Durham County Council
	Northumberland County Council	Gateshead Council
	North Tyneside Council	South Tyneside Council
		Sunderland City Council
Two Combined Authorities	North of Tyne Mayoral Combined Authority Covering North Tyneside Council Newcastle City Council Northumberland County Council	North East Combined Authority Covering Durham County Council Gateshead Council South Tyneside Council Sunderland City Council
	One Transport Committee North East Joint Transport Committee	
One Local Enterprise Partnership	North East Local Enterprise Partnership	

### North East LEP governance

The North East LEP Board is a business-led, private, public and education partnership. It is supported by four advisory boards, which provide strategic guidance and oversight of the Strategic Economic Plan programmes' delivery to the main Board.

Areas of Strategic Importance co-ordination Groups are being introduced to support the areas of strategic importance activities.



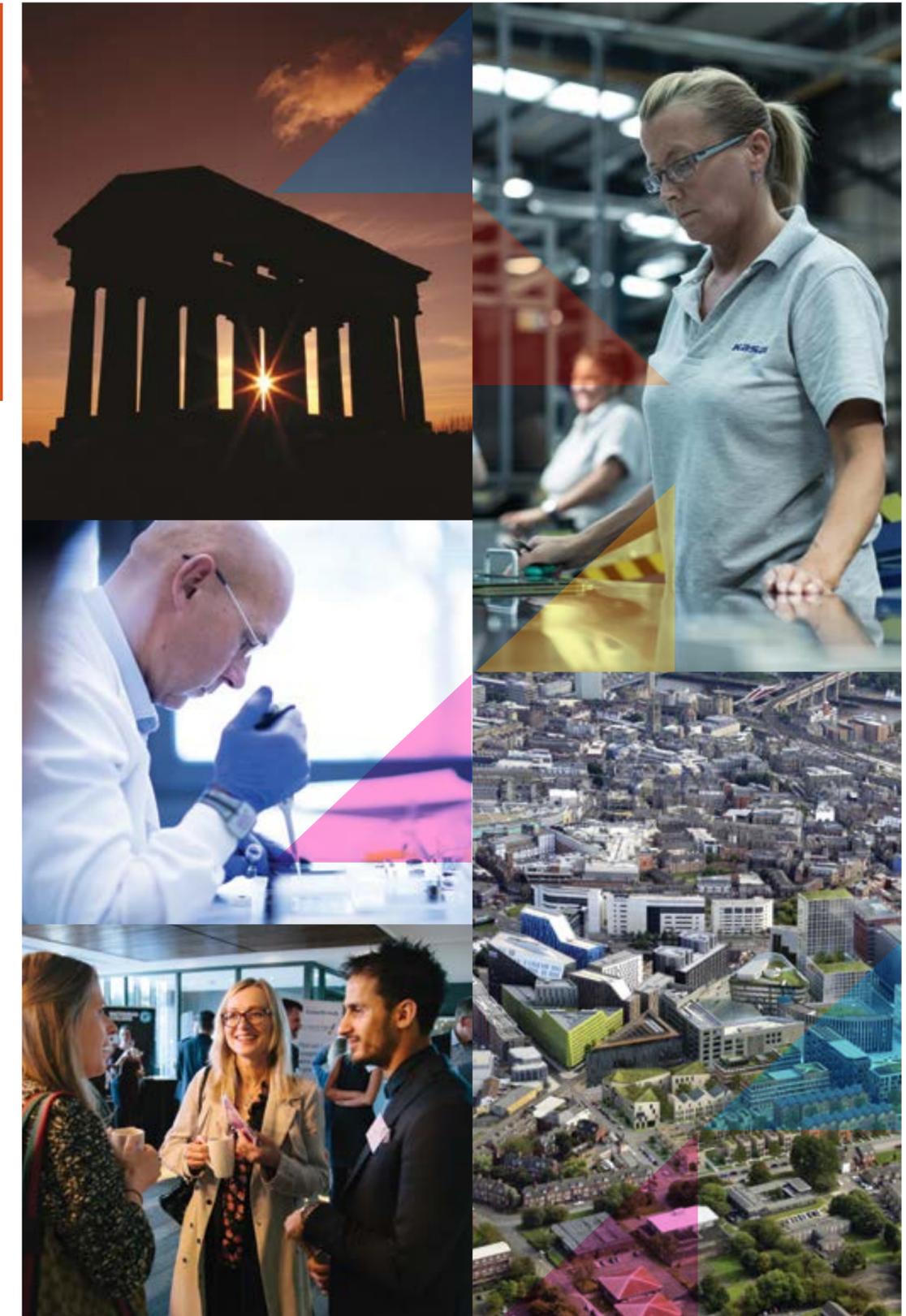
## Assurance framework

As a partnership organisation that is both funded by and responsible for distributing public funds, robust and transparent governance is essential to the North East LEP's operations. The North East LEP has strong systems in place to ensure we apply the highest standards of governance across our Boards and Executive Team, supported by our accountable body.

The North East LEP takes its importance of delivering our responsibilities through compliance with government best practice guidelines and in accordance with our own operating principles and standards detailed in our 'Local Assurance Framework' seriously. The Framework sets out how decisions are made and ensure value for money when investments are made.

Importantly, this document also sets out how we communicate and publish information to the public about our affairs such as our annual accounts, how we select projects and how Board decisions are subject to independent scrutiny. Our local assurance framework is reviewed annually by the LEP Board to ensure it remains compliant with the very latest government guidelines and best practice.

We seek to keep all interested partners and members of the public up to date through regular email bulletins, which currently go to over 2,500 subscribers. We welcome more people to sign up for our newsletters and to keep in touch with the activities of the North East LEP and its partners through our website. We also encourage you to join our 10,000 followers on twitter @northeastlep.



## Strategy, policy, evidence and analysis

The North East LEP is committed to the ongoing development of the Strategic Economic Plan. It is the framework for a range of other strategic documents and investment programmes including the Local Growth Fund, European Strategic Investment Framework and the forthcoming Local Industrial Strategy. Partners are working together to influence public policy to ensure that the voice and interests of the region are taken into account in UK policy frameworks including the Industrial Strategy, the preparations for leaving the European Union and the National Infrastructure Assessment.

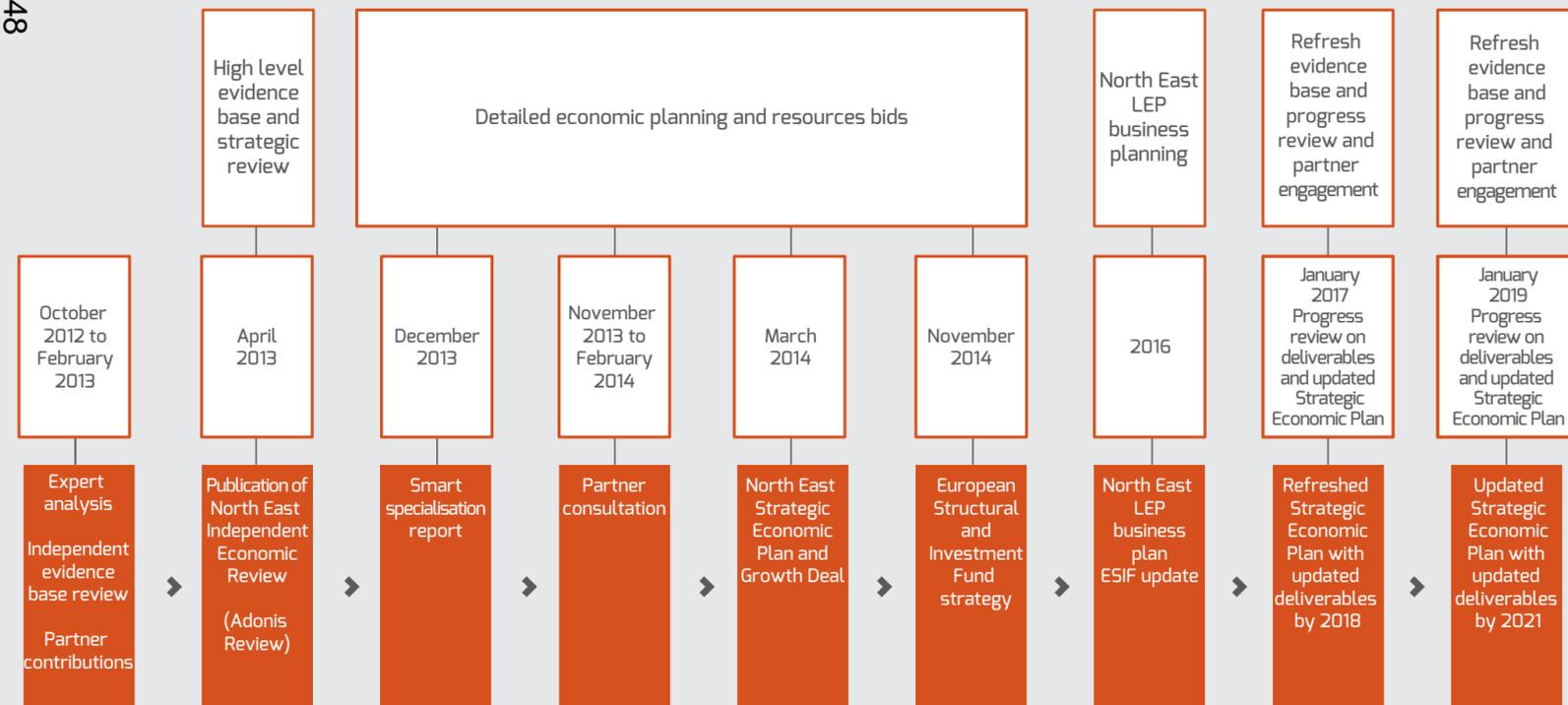
It is important that the North East Strategic Economic Plan and the interventions that are pursued to deliver it are based on a strong evidence base and that the things it informs are strongly grounded in an understanding of the needs and opportunities of the North East economy and the evidence on 'what works'. In support of this work, the North East LEP takes a lead role in helping develop and co-ordinate economic analysis and evidence activities on behalf of the region. Building on the work that commenced with the North East Independent Economic Review (2013), our ambition is that the North East builds a reputation for innovative, collaborative and action-oriented evidence based economic policy and strategy.

### The Strategic Economic Plan process so far

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The Strategic Economic Plan is recognised by government and other partners as the key strategic economic document for the North East. The Strategic Economic Plan sets out a forward direction for regional economic development and provides a key point of reference for investment and decision making. From the beginning, evidence has underpinned the development and delivery of the Strategic Economic Plan.

The North East Independent Economic Review in 2013 provided a strong foundation for the original Strategic Economic Plan and we have continued to build the evidence base to support our programmes and wider economic policy making in the region.



## Building the evidence base



### Data

#### Our Economy

'Our Economy' provides an overview of the North East LEP area economy and how it is changing over time. It is a resource for partners, positioning the North East for future policy developments.

We published the first 'Our Economy' in March 2018 and will continue to publish on an annual basis.

#### North East Data Hub

The Data Hub is a website that brings together economic and transport data from a range of sources, alongside easy-to-use tools and commentary to improve understanding of the North East.

Over the next three years, we will develop the breadth and depth of the data available and ensure additional tools are available to help users understand and make use of the data. [northeastdatahub.co.uk](http://northeastdatahub.co.uk)

#### Developing new data sources

Our Economy and the North East Data Hub increase understanding of the North East economy and supports individuals, businesses and policymakers to make more informed decisions.

We will work with partners to identify new sources of data and methods for analysis to help increase understanding of how the economy is performing.



### Research

#### North East Economic Evidence Forum

The North East Economic Evidence Forum, established by the North East LEP, brings together regional partners and national research organisations to build the North East economic evidence base.

The group delivers a collaborative programme of research and engagement activities to contribute to regional and national debates on key topics and supports the LEP in its critical analysis of the North East evidence base.

We will continue to use the Forum to ensure we have the evidence that the North East needs to inform policies and investments.

#### Programme of research studies

A programme of research has been identified.

Key topics for the period to 2021 include undertaking a review of North East productivity to inform our Local Industrial Strategy, developing a deeper understanding of areas of strategic importance and service sectors.

These will be delivered with partners across the region, building on our experiences in delivering Science and Innovation Audits and sector-specific research.



### Evaluation

#### Interim Strategic Economic Plan evaluation

Independent consultants have been commissioned, to undertake an interim evaluation of the Plan over the next three years. The focus is on the effectiveness and impact of the Plan in driving economic growth and the LEP's role in delivering it. Annual reports will be produced, with the final interim evaluation reported in 2021 and will inform future economic planning and policies.

#### Programme and project level monitoring and evaluation

We are committed to collating and analysing data on performance and using this to inform current delivery and future project development.

Over the next three years, we will continue to prioritise monitoring and evaluation and build on our existing activities to ensure they reflect recognised best practice. This will include the development of a key performance indicator framework.

#### Contributing to wider understanding of what works

We will proactively share our evaluation evidence and learning with relevant stakeholders including delivery partners, other LEPs, the What Works Centre for Local Economic Growth and the North East Economic Evidence Forum, building knowledge and understanding of what works in economic development.



### Policy

#### Brexit

We will continue to coordinate and support the North East Brexit Group, bringing together regional cross-sector partners to ensure negotiations and decisions about Brexit reflect the priorities of the region and that businesses and residents are informed and supported through change.

#### Industrial Strategy

The North East Local Enterprise Partnership will continue to lead on the development of our evidence base and work with partners to identify opportunities for regional engagement and investment as we work towards developing the North East Local Industrial Strategy.

#### Influencing the policy agenda

We will continue to monitor public policy and will work with regional partners to influence and shape public policy where a significant and shared interest is identified which will impact on our economy and where joint work can deliver policy change or secure influence or flows of investment.

# Delivery of the Strategic Economic Plan: 2014-2018

Our Strategic Economic Plan programmes have been supported by significant, capital funding from central government. This is via Local Growth Funding, the designation of 21 Enterprise Zones and allocation of both the Growing Places Fund and Regional Growth Funds, which have been combined to create the North East Investment Fund, managed by the North East Local Enterprise Partnership (LEP). The North East LEP also influences how the European Structural Investment Fund is invested in the region. The table below shows fund management and programme delivery progress over the first four years of the 10 year plan.

Enterprise Zones (EZ)	North East Investment Fund (NEIF)
£151 million LEP funds expected to be invested in 21 EZ sites.	£65 million of loans awarded through NEIF.
£74.5million of investment approved to date across eight sites.	26 projects and two other funds supported the extension of the Finance for Business North East Fund.

Local Growth Fund (LGF)	European Structural Investment Fund
£270.1 million capital funding secured for the region.	€559.5 million allocation secured for period 2015-2021.
48 projects funded alongside four mini-programmes.	58% of funding committed to date.

### Business growth

**Investment**

£30.2 million capital invested across 15 projects, one programme and one financial instrument, leveraging £101.7 million from other public and private funding.

Grade A industrial space - at **Tyne Tunnel Trading Estate, Infinity Park** at Monkton, Elm Park at West Chirton and Portobello Trade Park.

Grade A office space at **Blyth Workspace, Salvus House, Durham, Hope St Xchange, Sunderland, The Jesmond, Newcastle, The Rocket, Newcastle.**

**Rural Growth Network** business grant support scheme assisted 35 growing business.

£120 million **North East Fund** established.

Launch of first fully digital **Growth Hub** in England.

Introduced **Growth Hub Connectors** to provide tailored brokerage to established businesses.

Implementation of new business support schemes - **Scale Up North East, Growth through Mentoring and Supply Chain North East.**

Tested successful pilot projects including, **Manufacturing Growth Programme, Growth Hub High Performance and Be the Business Productivity Mentoring.**

Introduced the **Growth Hub Provider Network.**

**Invest North East England** inward investment office has landed over 400 businesses creating over 18,000 jobs in the North East.

### Innovation

£65.9 million capital invested across 13 projects and two programmes, leveraging £85 million from other public and private funding.

**Science and Technology parks:**  
**Newcastle Helix:** Opened The Biosphere, secured The National Innovation Centre for Data, National Innovation Centre for Ageing and the Centre for Energy Systems Integration and supported the development of a District Heating system. Supported further development of NETPark further phases.

**New R&D facilities**

- PROTO: The Emerging Technology Centre
- Tyne Subsea test facilities including Neptune Centre on the River Tyne and Hyperbaric chamber in Camperdown.

**Mini-programmes:** Innovation Project Development Fund and Incubator Support Fund introduced to stimulate and support growth in target sectors.

Strengthened the ecosystem to support businesses through the Innovation SuperNetwork and Venturefest North East.

Participated in six **Science and Innovation Audits** covering offshore and subsea energy, health innovation, bio-economy, satellites and chemical industries and leading on one looking at the application of digital technologies to manufacturing.

Worked with our university partners to provide a broad understanding of the North East innovation context and how global trends may impact on local businesses and areas of opportunity through the **Innovation Observatory** project.

Brought partners together to **coordinate project development activities** to establish shared activities and prepare for funding opportunities such as ERDF, Strength in Place and Grand Challenge funding. Including funding development work in Smart medicines manufacturing centre, 5G North East test bed, Centre for Connected Construction (IC3) and the Centre of Excellence in Sustainable Advanced Manufacturing (CESAM).

Established and enhanced awareness of the North East offer by **improving links with national organisations** particularly with InnovateUK, UKRI and the Department of Business, Energy and Industrial Strategy.

Supported and championed the **continuation of proof of concept** funding through access to finance structures, particularly the North East Fund development.

### Skills

£18.4 million capital invested across eight projects, leveraging £28.5 million from other public and private funding.

**Supported new STEM College facilities** in South Shields, Wallsend and Ashington.

Community based major new social enterprise-led facilities: **Beacon of Light, Sunderland and Eagles Community Arena, Newcastle** providing access to employment and life skills support.

Major redevelopment of the land based industries **Houghall College site** in County Durham.

Successful delivery of the Good **Careers Guidance Benchmarks** national pilot to direct national careers policy.

**Enterprise Advisor programme** rolled out to help connect 120 schools with employers.

Launch of **North East Ambition** supporting 170 schools and colleges to develop careers support, plus Primary School pilot.

Award of national **Careers Cornerstone Hub** and the **Next Generation Learning pilot.**

**50+** Developed the **Fuller Working Lives** strategy for the over 50 workforce.

Strengthened **FE and HE** partnership working including an **award winning** 'Live Work Stay' campaign to encourage higher levels of graduate retention in the North East including work with businesses, universities and other partners to encourage inward migration of a highly skilled workforce.

### Transport connectivity

£80.9 million capital invested across 17 projects and one programme, leveraging, £55.7 million from other public funding.

Enhancements to the **Tyne and Wear Metro system** - Central Metro Station refurbishment and ongoing works on a new Bus and metro interchange in South Shields.

**Major transport corridor improvements**

- Junction improvements on the Coast Road in North Tyneside
- Lindisfarne Corridor linking the A19 to South Shields
- Newcastle Northern access corridor
- Weetslade corridor connecting to the A1 at Gosforth.

**Cycle way investments** serving three stations on the East Coast Mainline at **Morpeth, Newcastle and Durham.**

Secured circa £1.1 billion investment from **Highways England.**

Partnership working with **Transport for the North.**

**Electric vehicle charging points.**

Upgrade and extensions to the **Urban Traffic Management Systems.**

Development of a **regional walking and cycling strategy.**

### Investment and infrastructure

£214 million capital invested across 23 projects and one financial instrument leveraging, £261.2 million from other public and private funding.

**Rural Growth Network** infrastructure investment has supported the visitor economy e.g. 'The Sill', National Landscape Discovery Centre, Once Brewed and **South Tyne Railway Slaggyford Station** restoration and new **Land of Oak and Iron Visitor Centre** in the Derwent Valley.

Public realm improvements to enable the **Auckland Project Welcome Building**, Bishop Auckland.

**Regeneration of the Vaux site, Sunderland** for mixed use development including first office 'The Beam' and new riverside walkways.

**Major employment sites** are benefiting from ongoing advance infrastructure investment **International Advance Manufacturing Park (IAMP), Integra61, Jade Business Park, Follingsby Max and Energy Central.**

Work began on the nationally significant **International Advanced Manufacturing Park (IAMP)** with construction starting on the first factory on the 150-hectare site north of the Nissan plant, off the A19. Once complete, the £100 million business park will be home to 7,000 jobs and it is estimated will attract an additional £400 million private sector investment. IAMP has been supported by £41 million from the Local Growth Fund.

Two strategic '**Housing Infrastructure Fund**' projects selected at Murton, North Tyneside and Sunderland South by Homes England.

3 Local Authorities have adopted their **Local Plan.**

**21 Enterprise Zone sites** have been secured and are being developed for investment and business.

The £117.6 million **Northern Spire** in Sunderland (New Wear Crossing), part of the Sunderland Strategic Transport Corridor.

## Evaluation



The North East LEP made a commitment when the Strategic Economic Plan was refreshed in 2017 to commission an independent evaluation of progress made and of our role in supporting its development and delivery. The aim of this evaluation is to assess the effectiveness and impact of the Plan relative to its objectives. The interim evaluation will be undertaken between 2018/19 and 2020/21 and will help inform the final evaluation in 2024. A competitive tendering process was carried out during 2018 and Steer Economic Development were appointed to undertake the interim evaluation.

### Key findings emerging from the first phase of the evaluation:

Significant progress has been made by the region in creating more and better jobs for the North East economy.

There has also been progress in relation to other targets in the Strategic Economic Plan including employment rates, economic activity rates and productivity, although there remains more to do over future years.

The refresh of the Plan carried out in 2017 was seen as inclusive and successfully engaged partners across the region. It resulted in a final document that was succinct, accessible and visually striking with clear and logical actions.

The Strategic Economic Plan has led to a range of new partnerships, networks and approaches in the region and to funding being secured to take forward the region's priorities. Evidence of impact is mainly qualitative given the timescales around delivery.

There have been a number of areas of success within the programmes of delivery. These include the Good Career Guidance Benchmarks as part of the Gatsby pilot, which has led to an improvement in the quality and appropriateness of careers education in the North East and is recognised as best practice by both government and regional partners.

The North East LEP was established amidst challenging circumstances in 2011. It has made considerable progress in developing the region's strategic ambition and its organisational capacity, enabling it to provide economic leadership and co-ordination for the North East.

### The report makes a number of recommendations including:

To date, monitoring has focused on satisfying the requirements of funders, in particular, government. To support the evaluation project, a baseline report has assembled data to enable a quantitative assessment. It is recommended that the North East LEP works on this with partners to provide a fuller picture going forward.

The North East LEP and partners should lobby government to provide European Structural and Investment Fund data which is currently held centrally to enable the North East to further understand the impact and effectiveness of interventions funded to support the SEP.

The North East LEP will continue to work with partners to develop the evaluation project and learn from the findings and recommendations. It will promote evaluation through its work and continue to ensure evaluation is embedded across all its work.

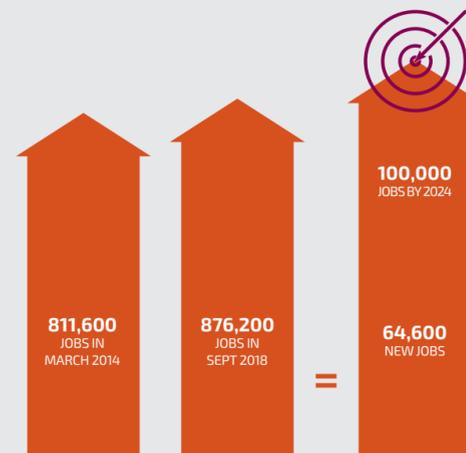
## Impact to date

### How are we doing?

Since the Strategic Economic Plan was published in 2014, we have made good progress towards the delivery of our headline targets to deliver more and better jobs, while progress towards the relative targets has been mixed. We are nearly half way through the delivery of the ten year plan.

### More and better jobs

Together with our partners, we are working to deliver **100,000 more and better jobs** for the North East by 2024.



**49,600 (77%)** of these were better jobs, defined as managerial, professional and technical roles

### Relative targets

Since 2014, both the employment rate and the economic activity rate have increased in the North East. As improvement in these indicators has been greater in the North East than across England excluding London, the gap between our performance and national performance has reduced. This is good news for the North East. The reduction in the gap has been relatively small for the economic activity rate (4%) while the gap with England excluding London in the employment rate has reduced by almost a quarter.

Progress has also been made in relation to the number of private sector job opportunities available per head within the North East, with a small increase observed between 2015 and 2017 (data is not available on a comparable basis for 2014 due to changes in the dataset used to measure progress against this target). However, as the number of private sector jobs per head increased faster across England excluding London than in the North East over this period, the gap has increased.

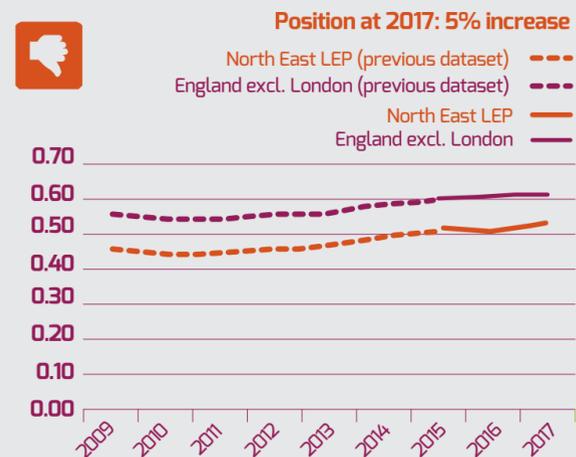
Our final target relates to reducing the gap in productivity by 50%. Productivity was defined in earlier versions of this document as GVA per full time equivalent job, but due to changes in the underlying datasets used to measure this, we have decided to amend the definition to GVA per hour worked. This will also bring us in line with the Industrial Strategy. Between 2014 and 2017 (the most recent data available), the gap has reduced by 29%.

There is therefore more to do to help ensure the North East closes these performance gaps. We will continue to work with partners to deliver this Strategic Economic Plan and against these targets.

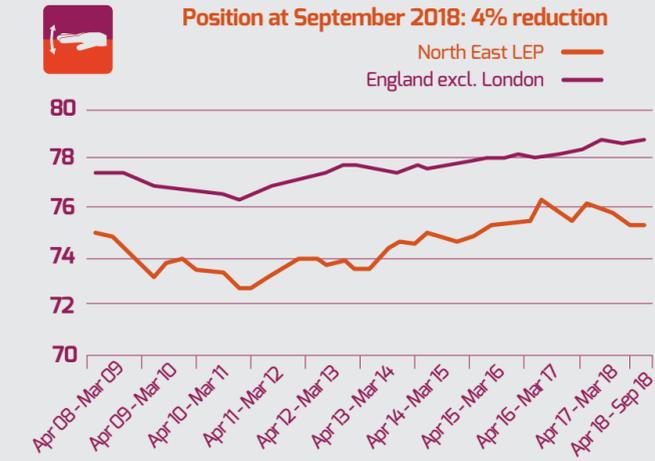
### Close the gap in the employment rate for people aged 16-64 Target 100% reduction in gap by 2024



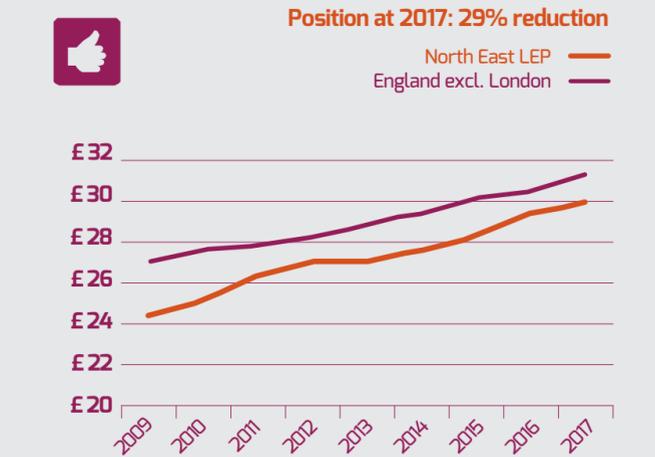
### Reduce the gap in private sector employment density Target 50% reduction in gap by 2024



### Reduce the gap in economic activity for people aged 16-64 Target 50% reduction in gap by 2024



### Reduce the gap in GVA per hour worked Target 50% reduction in gap by 2024



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## Overview and Scrutiny Committee

10 December 2019

<b>Subject:</b>	<b>Returnships project</b>
<b>Report of:</b>	<b>Head of Inclusive Growth Leigh Mills</b>

### Report Summary

The purpose of this report is to provide the Overview and Scrutiny Committee with a detailed description of the Returnships project including the context, purpose, mechanism and timelines for the project.

### Recommendations

The Overview and Scrutiny Committee is invited to make any comments and/or recommendations on the current direction of the Returnships project.

## **1. Introduction**

- 1.1 The purpose of this report is to provide the Overview and Scrutiny Committee (OSC) with a detailed overview of the North of Tyne Combined Authority (NTCA) Returnships programme.
- 1.2 As this programme is has not yet been launched, the OSC have the opportunity for pre-scrutiny and to inform how this programme can take shape once live.
- 1.3 This report will provide a detailed description of the development of the programme and the anticipated returns from the investment.
- 1.4 The team welcome feedback and recommendations from the OSC at this pre-launch phase to inform next steps.
- 1.5 The NTCA Returnships programme will support residents disengaged from the labour market for two years or more to engage with local employers offering a range of inclusive routeways to work such as internships and work experience with training. It will target individually tailored support, primarily to residents looking to return to work after a break due to caring responsibilities but will be open to other residents excluded from the labour market that need a supported routeway to re-enter work. It will also support employers to design and deliver Returnships to meet their needs.
- 1.6 The duration of this project has been planned and budgeted to cover 31 months. It has been designed as a 'test and learn' approach so is not intended to be sustainable beyond the life of the project. The aim is to test an approach that can be adopted to support achievement of North of Tyne Inclusive Economy ambitions. It will pilot activity that, if proven to be effective, will be taken up by employers and other organisations, thereby increasing direct investment.

## **2. Background**

- 2.1 Supporting carers to remain in or return to employment has been a consistent feature of Government policy for the past two decades, driven largely by the increasingly higher age profile of the population, thereby increasing demand for the number of carers.
- 2.2 Many people who take a break from the labour market to fulfil caring responsibilities have difficulty re-entering work. Time away from work can adversely impact skills, confidence, and work history. The Government Equalities Office identified returning from career breaks to care as a priority, and this was reflected in the North of Tyne Devolution Deal where there is a specific commitment that '*Government and the NTCA will explore ways to support those returning to the labour market after time out of paid employment to care for children or other family members.*'
- 2.3 The project delivers on that commitment by supporting residents across the North of Tyne area to overcome barriers to returning to employment after a long period out of the workforce, with a focus on those who have had long-term caring

responsibilities which have kept them from the labour market. It is therefore a core part of the agreed plan for the NTCA.

- 2.4 The project will offer those looking to return to work with real opportunities in the workplace and will also support a more in-depth understanding of the barriers to work faced by returners in the North of Tyne area and what works to support them into employment.
- 2.5 While the employment rate is rising and the unemployment rate is at a relatively low level, the North of Tyne area continues to experience concentrations of disadvantage in some communities, and in particular, high rates of economic inactivity.
- 2.6 Economically inactive residents are those not in employment but not claiming active working age benefits and therefore not classed as unemployed. Data (Annual Population Survey April 2018 – March 2019) shows the North of Tyne area has 129,700 residents who are economically inactive. This equates to approximately one quarter of the working age population.
- 2.7 The NTCA inclusive economy ambitions recognise the need to bring more of these residents into economic activity and help them to benefit from jobs growth, thereby contributing to the North of Tyne economy. Of the 129,700 NTCA economically inactive residents, 25,500 of those want a job (Annual Population Survey April 2018 – March 2019).
- 2.8 A large proportion (16.2%) of economically inactive North of Tyne residents have caring responsibilities. Research has shown that having caring responsibilities can limit career opportunities, limit the number of hours employees can work, or even prevent people from working at all. Those who have long term caring responsibilities may have not been able to develop the skills needed for the modern economy. As the population ages it is projected that the number of working age people with caring responsibilities is likely to increase. The labour market will therefore need to find ways to accommodate working carers and have effective routeways for people out of work who are carers to move into employment.
- 2.9 National statistics show that 89% of returners to the labour market are women, 11% are men and the average age of returners is 41. The majority of carers are of working age. One quarter of women carers and one fifth of men carers are aged 45 to 59.
- 2.10 Full time carers who do not work are entitled to claim Carers Allowance, if the person they care for is in receipt of care-related benefits. Latest data (Nov 2018) shows that the North of Tyne area has approximately 13,400 residents of working age, claiming Carers Allowance. Of these, 70% are female, over 60% have claimed for more than two years, and almost one third are aged 50 and over (Department for Work and Pensions (DWP), Office for National Statistics (ONS)).
- 2.11 'Carers, Employment and Services' research by the University of Leeds found that around 40% of non-working carers would rather be in paid work.

- 2.12 Carers Northumberland, North Tyneside Carers' Centre and Newcastle Carers are the three main carer support organisations in the North of Tyne area and between them they are actively supporting approximately 9,000 working age carers, around 30% of whom are economically inactive. This is the core cohort for the project.
- 2.13 Many of this group are likely to have taken a break from non-professional and lower skilled jobs in the labour market or may have not worked at all due to caring responsibilities. Caring breaks are likely to have damaged their job prospects to a greater extent than those who have taken breaks from higher skilled jobs and they may have additional barriers to work. Large numbers who do not meet the Carer's Allowance threshold of 35 hours caring per week have cared for a number of hours that creates a detrimental impact on employment prospects. Carers are often ineligible for mainstream support programmes due to their 'inactive' status, and new mechanisms to reach them could increase the labour pool and boost the local economy. Further, some who are currently not actively looking for work due to caring responsibilities may still be able to do some work or may be ready to seek work when their caring responsibilities come to an end.
- 2.14 A number of employers in the area, particularly large firms such as Sage, Greggs and Arriva, offer Returnship programmes with a focus on (mainly) women returners, often primarily for those with skills and looking to re-enter work at a similar level. These can be effective in addressing barriers caused by loss of confidence and skills, preventing return to a job which matches skill set and experience. However, carers organisations and other voluntary organisations have highlighted that there can be significant barriers to participation in such programmes, including actual or perceived lack of relevant skills, as well as motivation and confidence. Therefore, NTCA have identified a need for a more intensive programme of support to help carers who may have low skills levels and long periods out of work to enter or re-enter the labour market.

### 3. Strategic Fit

- 3.1 The principle NTCA Pillar of Ambition that the Returnship's project contributes to will be the *Hotbed of Talent*. The project will directly provide better ways to help people into work, raising their skills and using their talents.
- 3.2 The project will support other NTCA strategic objectives as set out in the Inclusive Economy Policy Statement, Economic Vision and Devolution Deal including
- Opportunity for all, removing the barriers which make it difficult for people to take up employment and training opportunities
  - Providing the right support for people to access quality, well paid jobs
  - Promoting ongoing learning and development and providing the right support for people to access further training
  - Ensuring the opportunity to thrive, with access to good employment and progression opportunities
  - Working with employers to increase opportunities for continued training and skills development, supporting career progression

- Working with partners to implement better ways to help people into work, from a fragmented system to a more coordinated approach
- Development and testing of approaches through a Framework Agreement with the Department for Work and Pensions (DWP).
- Supporting North of Tyne residents to become economically active and supporting the future labour market needs.

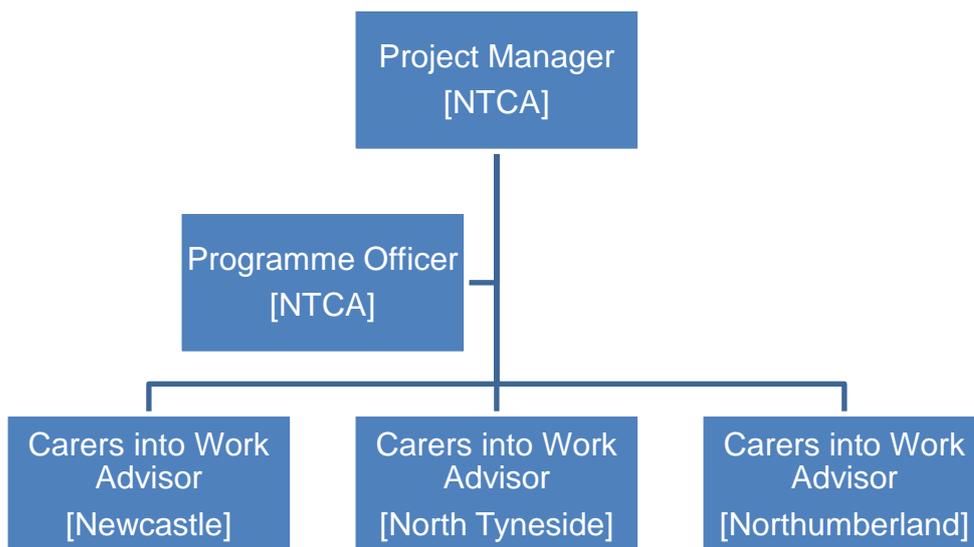
3.3 The project will support the promotion of good work across the North of Tyne area, by working with employers to enable carers, in particular, to return to a supportive workplace, allowing them to manage caring responsibilities with work commitments.

3.4 The project will also support the delivery of other local and national priorities, including the improvement of access to high quality and locally relevant careers information, advice and guidance through the provision of quality, individual intensive support.

#### 4. Project Outline

4.1 The programme was developed in partnership with the three carers organisations. Also, a range of large employers were consulted on initial programme design to ensure it meets workplace and support needs.

4.2 The project will be delivered by a team of five people employed within NTCA and the three carers organisations, as illustrated below.



4.3 The Project Manager will be employed directly by the NTCA and will be part of the Inclusive Economy team, reporting directly to the Head of Inclusive Growth. They will be responsible for the strategic engagement of employers, carers and partners, the coordination of delivery activities and the overall direction of the project. At the time of writing this report, recruitment for this post is underway and the new post holder will be expected to be in post in early 2020.

- 4.4 The Programme Officer will be employed directly by the NTCA and will be part of the Inclusive Economy team, reporting directly to the Project Manager. They will be responsible for working directly with employers and a wider network of voluntary and public sector organisations, supporting them to design and implement policies and practices that enable people with caring responsibilities to enter and sustain employment. At the time of writing this report, recruitment for this post is underway and the new post holder will be expected to be in post in early 2020.
- 4.5 The Carers into Work Advisors will be employed by the carer support organisations (one each in Newcastle Carers, North Tyneside Carers and Carers Northumberland). The advisors will be directly line managed by their host organisation but will report project specific information to the Project Manager. They will provide specialist support to carers, assessing their support needs, exploring options to overcome or reduce barriers, building skills and confidence and supporting them to take up the employment opportunities created from this programme.
- 4.6 While employed by different organisations, the project team will work closely together, reporting progress, expenditure and outputs of the project at monthly team meetings and through structured regular reporting mechanisms such as a Customer Relationship Management (CRM) and Management Information (MI) system.
- 4.7 This structure will provide significant added value to the project as participant carers will have access to additional services and support that each organisation provides through their carer centre and employer network.
- 4.8 Participants will be North of Tyne residents with barriers to work who are seeking routes into employment after at least two years out of the labour market. The focus will be those who are economically inactive but may not be eligible for support through mainstream programmes.
- 4.9 The core target cohort will be those with caring responsibilities who are not in employment and want to work, including:
- Young carers
  - People who want to balance caring responsibilities with work
  - People whose caring responsibilities have recently come to an end, or will soon come to an end, and who want to work.
- 4.10 However, the project will be led by demand, and will not exclude other people who are unemployed or economically inactive and see Returnships as the best opportunity to enter or re-enter the labour market. This will include:
- People unemployed and claiming out-of-work benefits for two years or more
  - People not claiming benefits but out of the labour market for two years or more.

## 5. Project deliverables/outputs/measurements

- 5.1 **Investment objective 1:** To support Returnship programmes that enable 450 people to return to the labour market following a career break of two years or more within the lifetime of the project.
- 5.2 **Investment objective 2:** To engage a range of employers in the design and delivery of the project, with at least 20 employers actively involved at some point in the project's lifespan.
- 5.3 **Investment objective 3:** To develop a more informed understanding of what works to support people to return to work after a career break and meet the specific needs of carers moving into the workplace, set out in a detailed final evaluation report within six months of project close.
- 5.4 The main output of the project will be residents taking up Returnship opportunities with employers. This may be in a variety of forms, including internships, work experience, pre-apprenticeships etc, but will all involve some form of routeway with an employer.
- 5.5 Carer support organisations estimated that it is realistic to support carers into a total of 120 Returnships per year. This has been totalled to 300 over the lifetime of the project. This is based on the intelligence of the carer organisations' relating to current membership, engagement levels and experience of the support needs of the cohort. It acknowledges that many of the cohort may not have been involved in employment and training programmes previously and will be difficult to reach, requiring intensive support in preparation for a Returnship.
- 5.6 As the project is a pilot to test demand, and due to the expected support needs of the cohort, this is a fairly low return. Wider engagement methods will therefore be used to reach and support into a Returnship a further 150 residents who may not be classed as carers but have barriers to returning to the labour market after an absence of two years or more and would benefit from a Returnship. They will be engaged through the Programme Officer working with a range of programmes and organisations engaging with long-term unemployed residents.
- 5.7 This will allow the project to focus on carers primarily but builds in flexibility to ensure that it does not exclude other suitable cohorts by being overly prescriptive.
- 5.8 Therefore, the total number of North of Tyne resident Returnship participants is expected to be 450.
- 5.9 Evidence shows that similar labour market interventions experience high attrition levels. It is therefore estimated that double the number of projected returnees will need to be engaged with. This will deliver added value as those who are initially engaged will benefit from support, even when not progressing to a Returnship.

- 5.10 Returnships will be developed with employers of all sizes and across sectors in the North of Tyne area. Engagement and development will begin with large and medium sized employers and then be expanded to a wider base of smaller employers as the project develops.
- 5.11 Employer engagement activity and skills development of participants will focus on the North of Tyne growth industries and actual job vacancies, and will be led by employer demand, sectors and roles which match participant needs and skills.
- 5.12 The North of Tyne growth industries include
- i. Digital and technology
  - ii. Energy, offshore and advanced manufacturing
  - iii. Health and life sciences
  - iv. Financial and professional business services
  - v. Tourism, leisure and culture.
- 5.13 As part of the project appraisal, we estimated that for each £1 of NTCA money invested in the project, the value of benefits achieved in terms of income for beneficiaries, their improved well-being and benefit cost savings totalled £3.30. This gives a “Benefit:Cost ratio” of 3.3 to 1. We also calculated the “Net Present Value (NPV)” of the investment – the value of all benefits minus the total costs over a 10-year period, as being £1.45m. These calculations demonstrate that the proposed project would represent good value for money in return for the total public sector investment from the NTCA Investment Fund.

## **6. Budget**

- 6.1 A fully costed budget has been developed and approved covering 31 months and totalling £666,341.
- 6.2 Funding is predominantly allocated to:
- delivery staffing
  - resourcing the employer brokerage function
  - directly delivering support to participants
  - providing an interface with employers to promote Returnships
  - delivering direct support to design and manage Returnship routes
- 6.3 The full cost of the project is being financed through the North of Tyne Inclusive Economy Innovation Fund allocation of the NTCA Investment Fund.
- 6.4 Costs have been kept to the lowest practicable level, based on the minimum levels of staffing required to deliver the programme effectively. This is based on an assessment of the delivery capacity in similar programmes.
- 6.5 Other potential funding sources to meet the scale of the project were considered but discounted due to various reasons including lack of availability, restrictive timelines and overly prescriptive eligibility.

## **7. Promotion of the project**

7.1 The project will have a dedicated page on the NTCA website and a communication and engagement plan will be developed with the NTCA Commutations team.

7.2 Promotion of the project will also take place through

- direct engagement with employers
- business representative bodies such as North East Chamber of Commerce (NECC) and the Federation of Small Businesses (FSB)
- Corporate Social Responsibility channels such as Business in the Community
- the NTCA Good Work Pledge

## **8. Risks and mitigation**

8.1 Risk 1. The Carers organisations are unable to meet the requirements of the project

Mitigation: Each organisation has appropriate experience, understanding and expertise that the project requires, along with established caseloads of carers that can benefit from the project. All are network partners of the national Carers Trust and have access to the support, advice and resources that they provide, which will benefit delivery of the project. These three organisations are currently commissioned by local authorities and are recipients of grant funding to deliver services on their behalf. In each area, the Local Authority has a long-standing partnership with their local Carers organisation and have internal management and review processes that ensure that the Carers organisations are the most appropriate organisations to deliver support unpaid carers in each Local Authority area.

8.2 Risk 2. Other Carer organisations in the area are displaced by this project

Mitigation: The North of Tyne Returnships project has been designed in partnership with the carer organisations on the basis that they have been working with the local authorities over many years through the above processes, have established engagements with carers, experience in delivering projects of this nature and scale and well-established working relations with each other. There are no other providers in the locality that have the necessary established local linkages with carers. Carers Northumberland, North Tyneside Carers Centre, and Newcastle Carers are therefore deemed to be the most appropriate partners to reach the cohort and deliver the project.

8.3 Risk 3. The project will duplicate other provision

Mitigation: There are a number of employment support programmes currently delivered in the North of Tyne area with a degree of overlap, but each has an individual focus and programmes can be aligned without duplication.

There is a lot of funded provision for employability support, but limited progression opportunities. Evidence shows involvement of an employer boosts motivation and prospect of successful engagement and completion. The Returnships model included in this project will benefit participants of the above programmes as a progression route for those who have received employability support but do not

have a destination. The unique feature will be the bank of engaged employers, and the range of Returnship opportunities they can offer. NoT has direct oversight and good working relationships with other employability provision to ensure alignment and no duplication.

## **9. Next steps**

- 9.1 The Project Manager and Programme Officer recruitment process is underway and the successful applicants are expected to join NTCA in January 2020.
- 9.2 The Project Manager will launch the project once in post in January 2020.
- 9.3 The Project Manager will develop and monitor a detailed delivery plan, working closely with key stakeholders.
- 9.4 The three delivery partners (Carers organisations) will be awarded an agreed budget and will each enter into a Grant Agreement with NTCA. This will set out requirements of delivery partners, including:
- i. specification for identifying, engaging and supporting carers in their return to work
  - ii. monitoring, information sharing, management and reporting arrangements
  - iii. financial arrangements including record-keeping, claims and payment schedules
  - iv. arrangements for review and dispute handling.
- 9.5 Once these Grant Agreements are in place, the Carers organisations will recruit to the 'Carers Into Work' advisor roles, again looking to appoint for a start early in 2020.
- 9.6 Employer engagement has already begun and will be increased once the team is in place, so that Returnship programmes can be designed and implemented around employer needs and opportunities.
- 9.7 Large employers were consulted on the initial design of this project. The next steps for employer engagement, which will be progressed by the Project Manager and Programme Officer, is to engage with
- more large employers
  - employers with experience of delivering similar initiatives
  - networks such as the North East Chamber of Commerce (NECC), Confederation of British Industry (CBI) and the Chartered Institute of Personnel and Development (CIPD)
  - small and medium sized enterprises (SMEs) working with the Federation of Small Businesses (FSB) in recognition of the importance of the SME base in the North of Tyne economy
- 9.8 It is expected that early engagement of returners and employers will ensure that the first results from the project will be achieved within the first quarter of 2020 (Jan –

Mar), with the project operating at full pace by the second quarter of 2020 (Apr – Jun).

9.9 Performance, monitoring and payment processes are currently being considered and will be fully developed and established by the Project Manager once in post.

**10. Appendices**

None

**11. Background papers**

None

**12. Contact Officers**

Head of Inclusive Growth

Leigh Mills

leigh.mills@northoftyne-ca.gov.uk

**13. Glossary**

CBI	Confederation of British Industry
CIPD	Chartered Institute of Personnel and Development
CRM	Customer Relationship Management
DWP	Department for Work and Pensions
FSB	Federation of Small Businesses
MI	Management Information
NECC	North East Chamber of Commerce
NPV	Net Present Value
NTCA	North of Tyne Combined Authority
ONS	Office for National Statistics
OSC	Overview and Scrutiny Committee
SMEs	small and medium sized enterprises

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<b>Subject:</b>	<b>2019/20 Budget Monitor Q2</b>
<b>Report of:</b>	<b>Janice Gillespie Interim Section 73 Officer</b>

### Report Summary

The purpose of this report is to inform the Committee of the 2019/20 Budget Monitor Report Q2.

### Recommendations

The Committee is recommended to note the report on the 2019/20 Budget Monitoring Position Q2 that was submitted to and approved by Cabinet on the 22 October 2019, please see Appendix 1.

#### 1. Introduction

- 1.1. At its meeting of the 22 October 2019 Cabinet Members considered the report on the 2019/20 Budget Monitor Q2 which was the second monitoring report on the 2019/20 financial position.
- 1.2. The report presented the forecast financial position for both the Corporate and Investment Fund budgets, set out the potential position on Reserves at the year end and provided the first indication of the potential position of the Authority. It also informed the Treasury Management Mid -Year update position and agreed the appointment of the external Auditor.
- 1.3. The quarter 3 budget monitor will be taken to Overview and Scrutiny Committee on the 12 February 2020.

## **2. Appendices**

Appendix 1 – 2019/20 Q2 Financial Management Report.

## **3. Background papers**

[2019-2022 Financial Plan and Budget](#), 12th March 2019 Report to Cabinet

## **4. Contact Officers**

Janice Gillespie, Interim Section 73 Officer, North of Tyne Combined Authority  
[Janice.Gillespie@northoftyne-ca.gov.uk](mailto:Janice.Gillespie@northoftyne-ca.gov.uk) Tel: 6436476

**Subject: 2019/20 Q2 Financial Management Report**

**Report of: Janice Gillespie, Interim Chief Financial Officer**

### **Report Summary**

This report is the second quarter monitoring report to Cabinet on the 2019/20 financial position. The report brings together the forecast financial position for both the Corporate and Investment Fund budget and provides an indication of the potential position of the Authority at 31<sup>st</sup> March 2020. It also sets out the potential position on reserves at the year end.

The North of Tyne Combined Authority is still in the early stages of set up, but as we have moved through the first half of the year, the appointment of permanent staff is almost complete, and in terms of the Investment Fund, Cabinet have approved a number of projects/programmes which are now beginning to deliver.

The report also provides the treasury management annual report for 2018/19 and a summary of treasury management activity in relation to North of Tyne Combined Authority during 2019/20. The activity is in line with the original budget for the year and no changes to the strategy are proposed as part of this mid-year review.

### **Recommendations**

The Cabinet is recommended to:

1. note the forecast budget monitoring position for the authority as set out in paragraphs 1.2, 1.3 and 1.4;
2. note the Treasury Management Mid-Year update position 1.5; and
3. agree the appointment of the external Auditor as set out in paragraph 1.7.

## 1. Background Information

### 1.1 Summary

Cabinet approved the 2019/20 budget on 12<sup>th</sup> March 2019. Included in that budget was estimated expenditure across the year for both a Corporate Budget and the Investment Fund.

The budgets were set at an early stage in the development of the authority and were based on a range of estimates in terms of the establishment of the authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision.

### 1.2 Q2 Financial Management Corporate Budget

The corporate budget for 2019/20 set a zero net income / expenditure position, continuing its set up activities, the election of a new Mayor, and remaining recruitment of capacity to deliver the authority's vision.

Table 1 below sets out the forecast outturn position across the key income and expenditure heads as approved by Cabinet. In total there is a small forecast net surplus of (£0.123m) at the year end. As we move through the financial year any forecast surplus will be adjusted against the contribution from the Investment Fund, currently an estimated £2.400m. For the purposes of transparency this has not been amended for this report to Cabinet.

**Table 1 Q2 Budget Monitoring 2019/20 Corporate Budget**

	Budget	Forecast	Variance Over/(under)
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Staffing	1,603	1,517	(86)
Mayor and officer	170	248	78
Advisors	305	200	(105)
Miscellaneous (includes election spend)	1,405	1,615	210
Sundry Grant Expenditure	0	91	91
SLA's	197	197	0
Transfer to Reserves	0	182	182
JTC Levy	27,074	27,074	0
<b>Total Expenditure</b>	<b>30,754</b>	<b>31,124</b>	<b>370</b>
<b>Income</b>			
Contributions from the constituent Authorities	(150)	(150)	0
Mayoral Capacity Fund	(1,000)	(1,000)	0
Investment Fund	(2,400)	(2,400)	0
AEB Income	(130)	(231)	(101)
Interest Receivable	0	(120)	(120)

Use of Reserves		(90)	(90)
Grant Received- Brexit preparations	0	(182)	(182)
JTC Levy	(27,074)	(27,074)	0
<b>Total Income</b>	<b>(30,754)</b>	<b>(31247)</b>	<b>(493)</b>
<b>NET (Income)/Expenditure</b>	0	(123)	(123)

## Corporate Expenditure Variances

### Staffing

Recruitment progress has been made in line with the agreed financial plan. There are 25 staff now directly employed, with recruitment in progress for a further 8 posts, some of which are currently being filled by seconded staff (7).

Due to recruitment phasing, overall costs remain largely in line with the annual budget, currently projecting an overall under-commitment of £0.007m. Overall recruitment costs are covered by the staffing budget, including the one-off expenditure associated with the appointment of two new Director posts, being Director of Economic Growth and Director of Policy and Performance.

### Advisors

Consultancy support is being commissioned, in early key areas such as low carbon initiatives, and the Community bank. This forecast has been reduced by £0.105m to reflect the lag in early corporate activity and also the requirement for more specific consultancy to be in relation to the Investment Fund budget.

### Miscellaneous expenditure including election

This category contains both positive and negative variances with a predicted net over-commitment of £0.210m. Although there has been an underspend in relation to election costs of £0.055m, there are predicted overspends, primarily in relation to accommodation costs of £0.065m relating to higher than anticipated rental and service charges, plus additional investment in ICT and furniture of £0.056m. In addition to this there have been increased costs for consultancy on AEB of £0.060m, with other potential costs relating to new systems for Investment Fund and AEB monitoring.

### Sundry Grant Expenditure

Cabinet are aware that late in 2018/19 the authority was awarded a £0.091m grant to support the preparations for the exit from the European Union and further to this Cabinet agreed a proposed approach to BREXIT agreed at its meeting on 5 February 2019 with the recommended approach based on:

- continuing to work with the NELEP and other colleagues in the NE, to ensure a ‘no wrong door’ approach to responding to businesses;
- using the funding provided by Government to mayoral combined authorities to respond to adverse outcomes and where possible take advantage of opportunities;
- exploring practical ways in which we can support businesses;
- ensuring that the North of Tyne is attractive to international investors;
- engaging directly with Government
- working with other Mayoral Combined Authorities to make the case for the devolution of any future additional funding – to replace the ESIF funding that the area will lose, to take advantage of new BREXIT opportunities and to counter any negative economic impacts.

Officers have worked with the LEP and are proposing to contribute £0.090m to support additional capacity over the next 2 years to support the delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area.

An additional £0.182m grant has been awarded in 2019/20 in respect of preparations for the exit from the European Union, no commitments have been identified against this award and therefore the monies have been moved into reserves.

### **Service Level Agreements**

The Service Level Agreements (SLAs) cover IT, insurance, communications, payroll, governance, audit and HR. Whilst some of these are still being updated for 2019/20, there is no material change expected to the overall financial envelope for these costs.

### **Joint Transport Committee levies**

These will remain as per budget.

## **Other Income Variances**

### **AEB Income**

Following the budget being set the authority secured approval for the AEB implementation grant to support additional capacity.

### **Interest Receivable**

The authority has now received £40m of the devolved funding to date current treasury management activity is securing interest, albeit at a relatively low rate. The forecast for interest receivable has been increased by £0.020m to £0.120m since Q1.

## 1.3

**Investment Fund Q2 Monitoring**

Although there remains little actual expenditure defrayed to date, more signed contracts are now in place for projects approved by Cabinet in the later part of 2018/19 and the first quarter of 2019/20. Since Q1 there have also been Cabinet approvals to support projects such as Newcastle United Futures, NUSTEM and Digital Catapult, the Newcastle Helix Incubator and Accelerator project, the Returnships Programme and the Digital Infrastructure Programme.

Table 2 and 3, below summarize approvals by Cabinet to date (not including any approvals presented to Cabinet at this meeting), and how these are currently profiled over future years. These committed work streams total £1,213k during this financial year.

<b>Table 2 Investment Fund Commitments</b>	<b>Total Project Cost</b>	<b>Investment Fund Commitment Approved</b>
	<b>£'000s</b>	<b>£'000s</b>
Business: Inward investment	21,631	3,505
People: STEM and Digital Skills	19,563	7,446
Place: Culture, creative and tourism	42,280	2,215
Project D&D: Business case development fund	1,079	813
Economic Inclusion programme		
<b>Total</b>	<b>84,553</b>	<b>13,979</b>

<b>Table 3 Forecast Investment Fund Approved spend profile</b>	<b>Financial year</b>				<b>Total</b>
	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	
Business: Inward investment	28	1,192	1,228	1,057	3,505
People: STEM and Digital Skills	288	3,404	2,473	1,281	7,446
Place: Culture, creative and tourism	464	388	811	552	2,215
Project D&D: Business case development fund	433	380	0	0	813
Economic Inclusion programme					
<b>Total</b>	<b>1,213</b>	<b>5,364</b>	<b>4,512</b>	<b>2,890</b>	<b>13,979</b>

From Table 2 above it can be seen that there is a significant level of leverage anticipated to be secured through the investment decisions made to date.

In terms of projecting the overall forecast outturn for the Investment fund for 2019/20 at this stage in the year the assumption has been made that all lines of the budget will be as planned. This is illustrated in Table 4 below.

**Table 4 Budget Monitoring Investment Fund Q2**

Investment Fund	Budget 2019/20	Forecast 2019/20	Variance
	Budget	Forecast	Variance
<b>Expenditure</b>	£'000	£'000	£'000
Supporting Business Case development	750	750	0
Work streams	975	975	0
Technical Support	250	250	0
Contribution to Corporate Costs	2,400	2,400	0
<b>Total Expenditure</b>	<b>4,375</b>	<b>4,375</b>	<b>0</b>
<b>Income</b>			
Investment fund	(20,000)	(20,000)	0
<b>Total Income</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>0</b>
<b>NET (Income)/Expenditure</b>	<b>(15,625)</b>	<b>(15,625)</b>	<b>0</b>
<b>Investment Reserve Brought forward</b>	<b>(19,012)</b>	<b>(19,550)</b>	<b>(538)</b>
<b>Net Investment Fund Reserve Carried Forward</b>	<b>(34,637)</b>	<b>(35,175)</b>	<b>(538)</b>

## 1.4 Movement in Reserves Statement

Based on the current assumed forecast outturns set out above in paragraphs 1.2 and 1.3 an update on the reserves position is shown in Table 4 below.

**Table 4 Movement in Reserves as at Q2**

<b>Opening Balance 1 April 2019</b>	<b>Transfer in/(out) during 2019/20</b>	<b>Closing Balance 31 March 2020</b>	<b>Reserve</b>
£'000	£'000	£'000	
91	0	91	Homeless Veteran Grant
91	91	182	Preparing to Exit EU Grant
200	0	200	Strategic Reserve
19,551	15,625	35,175	Investment Fund Reserve
<b>19,933</b>	<b>15,716</b>	<b>35,648</b>	

Officers are continuing to work with the three constituent North of Tyne Authorities to determine the appropriate use of the Homeless Veteran Grant with a report being brought back to Cabinet on the proposed use.

## 1.5

### Treasury Management Mid-Year Update

#### Summary

In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the Authority is required to approve a treasury management strategy before the start of each financial year and to monitor/report performance against the strategy (with a mid-year review). Cabinet approved the 2019/20 Treasury Management Strategy on 5<sup>th</sup> February 2019.

A key part of the Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

A key element of the treasury management function is the management of the funding associated with the Authority's capital investment plans. These capital plans provide a guide to any borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

## 1.6 Mid-Year update Position

### Borrowing

At this current time the Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Authority's 2018/19 statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. Details of which are included the Treasury Management Strategy and Prudential Indicators of the North East Combined Authority as the appointed accountable body.

### Financial Investments

The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority's investment strategy will give consideration to core balances and cash flow requirements and the outlook for short-term interest rates. Where cash flow identifies cash sums that could be invested for longer periods (potentially obtaining a greater return), the value to be obtained from longer term investments will be carefully assessed.

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods

To date the authority has invested solely in investments defined as Specified Investments these are investments which are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council. The authority's financial limits against this type of investment is shown in the table below:

**Table 1**

<b>Type of institution</b>	<b>Financial Limit</b>	<b>Time Limit</b>
UK central government (Debt Management Office)	£50m	Unlimited
Money Market Funds AAA	£5m each	Liquid
Term deposits with Bank and Building Societies	£5m each	12 months 6 months 100 days Not for use
UK Local authorities	£10m each	1 year
Certificate of Deposits with banks and building societies	£5m each	12 months 6 months 100 days

		Not for use
UK Government Treasury Bills	£10m each	1 year
Local Authority controlled companies in the NTCA area	£5m	5 years

### Current Investment Portfolio

The authority has now received £40m of the devolved funding to date in relation to the Investment Fund, £20m in relation to 2018/19 and then a further £20m in relation to 2019/20. There is currently £39m invested in the UK Central Government (Debt Management Office) this being considered a low risk counterparty/instrument commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

Type of institution	Investment Level 2019/20	Time Limit	Average Rate of Interest
UK central government (Debt Management Office)	£39m	Unlimited	0.59%

#### 1.7

At its meeting on the 30 July Cabinet agreed the approach to securing the appointment of an external auditor. Since that time officers have been working with the PSAA Ltd and the Audit Panel to secure appropriate arrangements. To that end it is proposed to appoint Mazars LLP as the external auditor for 2018/19 through a direct award and secure an appointment for the period 2019/20 to 2022/23 financial years through the PSAA Ltd. This approach has been discussed in detail with the Audit Panel who are supportive of this proposal.

Officers are working with Mazars to secure a conclusion of the 2018/19 audit as soon as practically possible.

## 2.

### Potential Impact on Objectives

#### 2.1

The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The Treasury Management Strategy will support and enable the budget process so that the Authority can properly discharge its functions and assist in delivering the Authority's vision, policies and priorities.

## 3.

### Key Risks

There are no key risks identified at this time.

#### **4. Finance and other Resource Implications**

This is a financial report with any financial or resource implications set out in the report.

#### **5. Legal Implications**

The Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

#### **6. Consultation**

The Treasury Management Policy and Strategy was included with the 2019/20 Budget which was subject to consultation with NCTA constituent authorities, NTCA Cabinet in addition to key officer groups. The 2019/20 Budget is based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

#### **7. Appendices**

7.1 None

#### **8. Background Papers**

8.1 12<sup>th</sup> March Report to Cabinet 2019-2022 Financial Plan and Budget

8.2 5<sup>th</sup> February Report to Cabinet 2019 Financial Plan and Budget Appendix B

#### **9. Contact Officers**

9.1 Janice Gillespie, Chief Finance Officer, [janice.gillespie@northoftyne-ca.org.uk](mailto:janice.gillespie@northoftyne-ca.org.uk)

Katherine Laing, Strategic Finance Manager, [katherine.laing@northoftyne-ca.org.uk](mailto:katherine.laing@northoftyne-ca.org.uk)

#### **10. Glossary**

10.1 None

#### **11. Sign-off**

11.1 Interim Head of Paid Service: Yes

Interim Monitoring Officer: Yes

Interim Chief Finance Officer: Yes